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24 April 2019

By Fax / By Hand**MINORITY SHAREHOLDERS WATCH GROUP (MSWG)**

Tingkat 11, Bangunan KWSP
 No. 3 Changkat Raja Chulan
 Off Jalan Raja Chulan
 50200 Kuala Lumpur

Attention: Mr. Devanesan Evanson
Chief Executive Officer

Dear Sir,

Re : 46th Annual General Meeting of Sime Darby Property Berhad on 2 May 2019

We refer to your letter dated 16 April 2019 which was faxed to us on 17 April 2019 in relation to Sime Darby Property Berhad's ("Sime Darby Property") Annual General Meeting ("AGM") to be held on Thursday, 2 May 2019.

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

Strategic / Financial Matters

1) **The Company has disposed 300 acres of land in Bukit Selarong, Kedah to China's Zhejiang XSD Holding Group Co., Ltd (Zhejiang XSD) for RM88.9 million.**

(a) **What is the financial impact to the Group's result?**

Response:

The Sale and Purchase Agreement ("SPA") for the disposal of the 300 acres of land in Bukit Selarong was signed in November 2018. The disposal is subject to fulfilment of conditions precedent, which includes the approval from the state of Kedah and Ministry of International Trade and Industry. The transaction is expected to be completed by Q2 FY2019.

(b) **What is the remaining land in Bukit Selarong and its Gross Development Value?**

Response:

Sime Darby Property does not own any remaining land in Bukit Selarong.

However, pursuant to the Call Option Agreement signed on 25 August 2017 with Sime Darby Plantation Berhad, the Company has a call option to purchase an additional plot of land in Bukit Selarong from Sime Darby Plantation Berhad of approximately 148 acres. The purchase, if made, will be based on the then prevailing market value of the land.

(c) **What is the Company's plan for the remaining land?**

Response:

The Company currently does not have any plans to exercise its call option to purchase the additional plot of land in Bukit Selarong.

2) **It was reported in the Financial Times newspaper dated 23 March 2019 that the 2nd and 3rd phases of the Battersea Power Station project has run into difficulty. A number of house buyers from the 2nd phase are claiming their deposit back and cancelling their purchases.**

(a) **How serious in the cancelation problem?**

Response:

• **Phase 2**

Phase 2 of the Battersea Power Station ("BPS") project consists of 255 residential units. As at 31 March 2019, the residential units have recorded sales take-up of 91%. The BPS team keeps in close contact with purchasers and communicate the progress on the delivery of their apartments. The team is making excellent progress on site and is expected to open the Power Station building in early 2021. Over 2,500 operatives are working on the site daily. With the significant progress that is being made and the delivery timetable being finalised, the BPS team has started conversations with purchasers regarding potential delays in their move-in dates but the team is early in the process and no formal rescissions have occurred thus far. In the event that units are returned, the team will resell over the period to completion.

• **Phase 3A**

Phase 3A consists of 542 residential units, with sales take-up of 67% as at 31 March 2019. The BPS team has informed the purchasers of Phase 3A in October 2017 that due to the delay in starting the construction works, there would be some consequential delay to the completion of their apartments. This process was undertaken over two years before the team was obliged to do so as the team believed that it was important to be as transparent as possible and to give purchasers ample time to plan.

Although some purchasers had circumstances which meant that they could not wait and were released from their contracts, the majority has committed to the scheme and are looking forward to moving into their new homes. Small incentives were offered as a gesture of goodwill but there were no significant discounts due to the uniqueness of the product and confidence that the team would be able to resell if need be. Of the apartments that came back to the team, the team has and continue to make, good progress in re-selling them and this process is ongoing. The BPS team has sold in excess of 65% of this phase, with about 90% sold across the entire development with sales in excess of £125m in the past year alone. The team continues to sell at levels consistent with those at launch and in many cases at prices far exceeding their originals.

(b) Is the project plagued by cost overrun as reported?

Response:

Movements in the market, such as those affected by uncertainties of Brexit and other variables such as cost inflation are expected in a scheme of the project's duration, i.e. over 12 years. The BPS team constantly strives to ensure costs are tightly managed and have implemented a number of initiatives that will ensure the company remains competitive. Whilst the BPS team has experienced cost pressures in the past requisite with its position in the market, it has also enjoyed revenue growth across the same period as well as excellent on-site progress, now benefitting from an advanced stage of procurement across Phases 2 and 3A (+90% and +80% respectively) offering substantial delivery cost certainty. There are also currently over 2,500 workers on site across both Phase 2 and 3.

(c) Is there heavy staff turnover and low morale effecting the staff of the Battersea Power Station Development Company?

Response:

Since the start of the year, only 8 people have left the team, which is reasonable given the total manpower size of about 160. The BPS team has welcomed 9 new joiners since the start of the year and also announced a number of key internal promotions including the appointment of the Head of Delivery, Head of Phase 3 and Head of Commercial – demonstrating the continued appeal of the project and the team's continued ability to attract talent.

Although the team experienced some issues with staff retention within the Project Management team in 2018, it has since responded with a reorganisation of the senior management of this business area and under the new leadership of the Head of Delivery, the team is confident the business is in a good place moving forward. Staff morale has never been higher and the team is excited and motivated, especially as the BPS team moves into the final 2 years before completion of the Power Station.

(d) What are the measures taken to overcome the problem mentioned in (b) and (c), if true?

Response:

Addressed in (b) and (c)

3) The Company has completed the sale of the commercial assets of the Phase 2 development of the Battersea Power Station for a cash purchase price of £676.1 million (page 49 of Annual Report).

(a) There is another amount of £1.583 billion for the disposal of commercial assets within the Battersea Power Station building (page 75 of Annual Report). Please explain this what these two figures related to.

Response:

The SPA dated 14 December 2018, entered into between Battersea Phase 2 Holding Company and PNB-Kwasa International 2 Limited, a joint venture company of Permodalan Nasional Berhad and the Employees Provident Fund Board, in respect of the Phase 2 commercial assets disposal was completed on 14 March 2019.

The disposal is for a total consideration of £1.583 billion. At completion, the conditions precedent stated in the SPA have been fulfilled, with the settlement of the initial cash payment of £676.1 million.

The balance of the total purchase price is payable in staged payments up to and including the practical completion of the Power Station building in its entirety in accordance with the terms of the SPA.

(b) What is the expected gain from the disposal?

Response:

The disposal is not expected to have any material financial impact to the Company.

However, the Company may potentially gain after the completion of the Power Station building, as the structure of the transaction provides the Battersea Phase 2 Holding Company the ability to generate performance-based profits over a 5-year growth period post practical completion of the entirety of the Power Station building.

4) The Company is to embark on the first phase of Malaysia Vision Valley (“MVV”) in FY2019.

(a) What is the Gross Development Value (“GDV”) of phase 1?

Response:

The first phase of MVV 2.0 spans over 27,000 acres, where Sime Property currently owns 2,838 acres (1,148.5ha) within MVV 2.0 and has the option to acquire another 8,796 acres from Sime Darby Berhad within five years from the date of listing via call option agreements that were entered into between Sime Darby Property and Sime Darby Berhad. There are several heartbeat projects within the first phase of the development, with Parcel A: High Technology and Industrial Park (2,838 acres) being the first to be activated. The estimated GDV of Parcel A stands at RM8.2 billion.

The remaining of the Parcels will be progressively planned and developed, taking into consideration market readiness, the finalisation of planned connectivity within the MVV2.0 area and also Sime Darby Property’s future direction. The estimated GDV for the remaining Parcels will be dependent on the product components planned in these Parcels, taking into account the above-mentioned factors.

(b) Will the land value at MVV be enhanced as the East Coast Rail Link (“ECRL”) project has now included a proposed station at Jelebu?

Response:

The rerouting of the ECRL could boost the economic growth of the East Coast and Negeri Sembilan via enhanced connectivity. However, we have yet to receive official feedback on the proposed ECRL station(s) in the State. While Jelebu is not part of the lands owned by Sime Darby Property, the impact of this re-routing is expected to yield significant spill-over potential to surrounding areas in light of the current rail connectivity of MVV 2.0’s Parcel A: High Technology and Industrial Park, which already links MVV 2.0 to both Kuala Lumpur and Singapore.

5) The Company has a sales target of RM2.2 billion for FY 2019. Kindly provide additional information on:

(a) The breakdown of the sales target by property project;

Response:

The Company has a sales target of RM2.3 billion for FY2019. The breakdown of the estimated sales target are as follows:

- By Type
 - Residential (Landed) – 50%
 - Residential (High Rise) – 30%
 - Industrial – 15%
 - Commercial – 5%
- By Location
 - Greater Klang Valley – 55%
 - Along Guthrie Corridor Expressway – 25%
 - Negeri Sembilan and Johor – 20%

(b) The measures taken to achieve the sales target;

Response:

Measures and initiatives taken include:

- Re-pricing and review of pipeline launches
 - The Company had taken measures to re-price some of its aged inventories (mainly in the KLGCC Resort development) and review its pipeline launches such that they are aligned closely to market demand in relation to price, type, timing and location to ensure high take-up.
- Primetime 8 Campaign
 - Leveraging on the recent Home Ownership Campaign 2019 (“HOC”), the Company introduced 8 new launches and previews over 8 consecutive weeks throughout March & April 2019
 - The campaign focused on landed terrace from RM500,000 to RM800,000 and high rise from RM500,000 to RM900,000
 - Launches in this campaign include Elmina Valley 5 (Elmina West), which saw a take-up of 98% and Elsa (Bandar Bukit Raja) which saw a take-up of 95%
 - Stamp duty waiver on memorandum of transfer and loan agreement and rebates were provided during the campaign
- Launch of dto
 - An innovative co-creation and crowd sourcing platform that allows potential customers to vote for their preferred development concept, design and amenities of a future property
 - dto is expected to change the sales approach for two high-rise projects in Subang Jaya City Centre and Putra Heights
- Raya Campaign
 - Campaign will run from May to June 2019
 - Raya rebates will be provided, and open-houses will be held at key sales galleries to drive sales during the period

(c) **The latest sales figure.**

Response:

The Company has achieved more than RM0.4 billion in sales for the first three months of FY2019, representing approximately 20% of the FY2019 sales target. The Group is confident it can achieve its sales target with the six-month HOC serving as a much needed catalyst in a time when the market is facing a slowdown.

Thank you.

Yours faithfully,

SIME DARBY PROPERTY BERHAD



Moriami Mohd
Group Secretary

- Copy to :
- 1) YBhg Tan Sri Dr. Zeti Akhtar Aziz
Chairman, Sime Darby Property Berhad
 - 2) YBhg Dato' Sri Amrin Awaluddin
Group Managing Director
 - 3) YBhg Datuk Tong Poh Keow
Executive Director