

Group Managing Director's Review

DEAR STAKEHOLDERS,

In 2023, MRCB completed major projects and commenced new ones, signalling the onset of a new growth cycle. Our efforts were also centred on integrating sustainability into all aspects of our activities, expanding our diversification strategy, seizing opportunities, and effectively managing risks to ensure sustainable value creation over the long term.

Integrating Sustainability for Enduring Value

CHARTING STEADY PROGRESS IN THE NEW GROWTH CYCLE

As we advanced into a new growth phase in 2023, pacing ourselves became a distinctive approach in executing MRCB's strategy. We focused on timing rather than speed, not just as a response to market changes, but also as a strategic choice to align with evolving stakeholder needs and expectations. We continued to execute our ongoing strategic focus, which includes monetising unsold property inventory and converting non-core assets into cash to enhance our balance sheet, and deploy into new projects to fuel our future growth.



An artist's impression of our upcoming VISTA development in Gold Coast, Australia



Datuk Imran Salim
Group Managing Director



Our efforts to diversify have resulted in us expanding into new market segments, while our expansion overseas has broadened our international footprint and strengthened our core.

For the year in review, the Group recorded revenue of RM2,537.5 million and profit before tax of RM134.2 million, a reduction of 21% and 13%, respectively, compared to 2022. However, the Group recorded a profit after tax of RM101.1 million, an increase of 89% compared to the corresponding year in 2022.

The decline in revenue was due to lower contributions from both the Property Development & Investment Division and Engineering, Construction & Environment Division, after the completion of three major infrastructure construction projects in 2022, and the completion of Sentral Suites and TRIA 9 Seputeh, two of the Group's major property development projects in the first half of 2023.

We strengthened our balance sheet by completing the sales of Menara CelcomDigi for RM450 million and Plaza Alam Sentral and its adjoining land for a consideration of RM178 million at the end of 2023, aligning with our asset optimisation strategy, reducing MRCB's net gearing and freeing up capital that can be re-invested into new projects. As the disposal of Menara CelcomDigi was to Sentral REIT, it was tax-exempted, resulting in the 89% improvement in profit after tax in 2023, compared to 2022. The Group also achieved strong residential property sales in 2023, which grew 74% to RM831.3 million compared to 2022.



PJ Sentral Garden City



RM2.5 BILLION
REVENUE



RM134 MILLION
PROFIT BEFORE TAX

The profit contribution from the Engineering, Construction & Environment Division rose 25% to RM87.3 million in 2023, compared to 2022, largely due to the LRT3 rail project, which achieved physical construction progress of 92% and financial progress of 88% as of 31 December 2023.

The Group's 27.94% equity-owned Sentral REIT and associated company, Sentral REIT Management Sdn Bhd, contributed a combined profit after tax of RM18.8 million in 2023 compared with RM14.9 million in the preceding year.

We also pre-emptively refinanced loans totalling RM200 million due in April 2023 and RM250 million in July 2023. This strategic move locked in lower interest rates, yielding cost savings and better cashflow, while mitigating the risk of higher borrowing rates.



Further explanation on the economy and construction sector in Malaysia is provided in Our Operating Context section on page 29

As the economy and consumer confidence improved and lending restrictions eased during the course of the year, the Property Development & Investment Division recorded a strong improvement in property sales. We achieved sales of RM831.3 million in 2023, an improvement of 74% over 2022. The majority of these sales were from our inventory of completed unsold units, particularly TRIA 9 Seputeh, which recorded strong sales after its completion in May 2023. Our completed unsold inventory at the end of 2023 stood at RM384.8 million.

Following the completion of Sentral Suites and TRIA 9 Seputeh in 2023, we launched two new residential property projects with a combined First reference in full - Gross Development Value (GDV) of RM1.9 billion in the same year, timing these launches to more favourable market conditions and aligning with the expected progress and demand expectations of the surrounding locations.

VISTA, a 51-storey RM1.5 billion GDV residential development in Surfer's Paradise in Gold Coast, Australia, was launched in April 2023. Encouraging factors such as strong interstate migration, a shortage of new stock, the return of foreign investors, and heightened domestic investment are expected to contribute positively to this project. This residential development builds on the success of our completed overseas projects, the 1060 Carnegie development and Easton Burwood projects in Melbourne, and affirms our long-term commitment to Australia's property market.

In September 2023, we launched the RM385 million GDV Residensi Tujuh residential property project in Kwasa Damansara City Centre, an integrated development consisting of 573 units over 29 storeys. Residensi Tujuh will


be the first residential development in Malaysia to be constructed using MRCB's more sustainable modular construction technology, the MRCB Building System (MBS). Given that more than half the area surrounding the development is planned for commercial development, we anticipate that the value of Residensi Tujuh will steadily increase as the city centre matures and stimulate future demand.

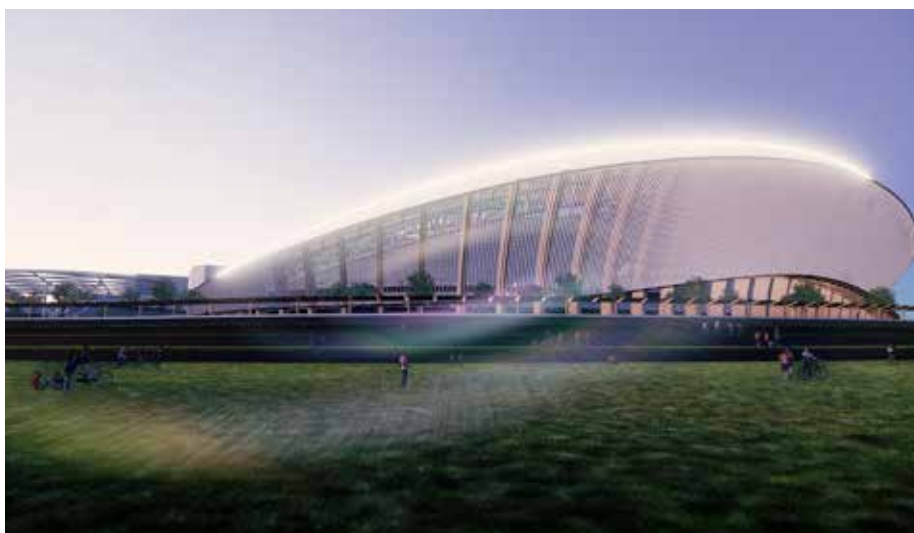
In 2023, the Engineering, Construction & Environment Division completed the Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) CA2 Package infrastructure project. The Light Rail Transit 3 (LRT3) project, a significant infrastructure development project in our portfolio, achieved notable milestones in 2023. Almost all of the civil works were completed, achieving overall physical construction completion of 92% and financial progress of 88% at the end of 2023. The project is on track to meet the target completion timeline by the first quarter of 2025.

In navigating 2023, challenges faced included inflation, which impacted the

cost of materials, leading to increased expenses. Efforts to curb inflation by governments globally drove up interest rates, making loans more expensive. While our property projects felt the impact of these economic shifts, we countered these challenges with innovative marketing strategies. We also faced challenges in the labour market, necessitating strategic adaptations to maintain our workforce efficiency and project timelines.

We strategically manage risks and capitalise on opportunities through a robust framework that identifies and assesses potential challenges and prospects across all our operations. Proactive risk management is embedded in our decision-making processes, allowing us to mitigate financial, operational, regulatory, and reputational risks effectively. At the same time, we look to seize opportunities by leveraging our expertise in sustainable development, our deep-rooted experience in TOD, and tapping into the growing demand for Green Buildings.

 For more details on Our Risks and Mitigations, refer to page 66



An artist's impression of the Stadium Shah Alam redevelopment

CONTINUING OUR FOCUS ON DIVERSIFICATION

We continued to drive our mid-term strategy, which is based on four Growth Principles. These principles focus on strengthening our core business, diversifying revenue streams, integrating technological advancements, and maintaining quality across products and our human resources.

 <p>Strengthen Core for Sustainable Returns</p> <ul style="list-style-type: none"> ▶ Ensure Steady Pipeline of Projects 	 <p>Diversification & Operational Expansion</p> <ul style="list-style-type: none"> ▶ Geographical Expansion ▶ Enter into New Markets 	 <p>Technology Adoption & Innovation</p> <ul style="list-style-type: none"> ▶ Achieve Lean & Efficient Operations ▶ Leverage on MRCB Building System (MBS) 	 <p>Quality Products & People</p> <ul style="list-style-type: none"> ▶ Uphold Good Governance ▶ Develop a Skilled Workforce
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Our approach emphasises diversification and operational expansion to create multiple revenue streams that are more resilient to market volatility and policy changes. We are strengthening our international presence in the property market, notably in Australia and New Zealand. Concurrently, MRCB is exploring new market segments informed by demographic trends and demand shifts, including the ageing population and the younger generation’s living preferences.

As part of this diversification approach and in line with Malaysia’s evolving economic landscape, MRCB has expanded its property portfolio to include the industrial and logistics segments. We are focusing on regions outside the Klang Valley and Selangor to benefit from foreign direct investments flowing into Malaysia from multi-national corporations looking to diversify their international manufacturing and logistics operations. This also aligns with the aspirations of Malaysia’s New Industrial Master Plan 2030 (NIMP2030), which aims to enhance the country’s industrial capacity.

We marked our move into the industrial segment in 2022 with the launch of Ipoh Raya Integrated Park, a first-of-its-kind bespoke six-phased sustainable integrated logistics park in Perak. In July 2023, we launched the development of a RM121.5 million electronics facility in the Chuping Valley Industrial Area, Perlis. Partnering with a US Fortune 500 company, this design, build, and lease project is set to yield consistent returns for at least 15 years. More than that, this high-impact national project speaks directly to our purpose to ‘Build Meaningful Places for a Better Tomorrow’, as the facility is expected to create 200 to 300 jobs initially, helping the northern state of Perlis with its aspiration of becoming a high-income and industrialised state by 2030.

Investments in waste-to-energy and expanding modular construction technologies to the market further exemplify our diversification approach, while leveraging our expertise in engineering and sustainable construction practices. As discussions with the Government on a waste-to-energy project remain ongoing, we are optimistic about the potential of this project to complement our diversification portfolio.

LARGE PIPELINE FOR FUTURE GROWTH

The pipeline of upcoming projects for MRCB offers substantial prospects for long-term growth and value creation. Driven by our diversification strategy that promotes expansion into new markets and geographical areas, we have RM3.6 billion in forthcoming property launches, a robust RM30 billion external client construction tender book, and an unbilled construction order book of RM15.7 billion, marking the emergence of a new cycle of growth for MRCB.

For the Property Development & Investment Division, 2024 will be a significant year, as it aims to embark on RM3.6 billion GDV of property launches, of which RM2.3 billion will be in Malaysia and RM1.3 billion in Auckland, New Zealand. Key Malaysian development projects include Bukit Jalil Phase 1, 9 Seputeh Parcel A, and Lot F in KL Sentral. Internationally, we will also commence construction of our VISTA residential project in Australia’s Gold Coast, as well as commence the development of The Symphony Centre, which is a TOD located in a very prime location in the central business district of Auckland, New Zealand. We will also commence with developing the industrial and logistics facilities in Perak and Perlis.

Key future growth drivers for our Engineering, Construction & Environment Division will include the redevelopment projects of the Shah Alam Stadium and Kuala Lumpur Sentral Station (KL Sentral Station) and the construction of five additional stations for the LRT3 project. All three projects are still being negotiated with the relevant authorities. Our successful award-winning refurbishment of the Bukit Jalil National Sports Complex, which showcased how we embedded innovation and sustainability, positioned us well for the Shah Alam Stadium redevelopment project. Furthermore, our pioneering development of KL Sentral and expertise in TOD uniquely qualify us for the redevelopment of KL Sentral Station.

We secured an agreement in principle to redevelop KL Sentral Station, the main public transport hub in the capital, on a Private Finance Initiative (PFI) basis. This important transportation infrastructure is over 22 years old and was originally designed for 100,000 daily passengers. Today, KL Sentral Station serves over 220,000, double its intended design capacity. This strains the infrastructure, necessitating urgent redevelopment. Our plan will not only expand its capacity but also incorporate many sustainability features.

Finally, although the LRT3 project is nearing completion, the announcement of the construction of an additional five LRT stations in the National Budget 2024 will provide a revenue driver for the Group over the next two financial years.

Project Pipeline

Category	Project	Type	GDV or Construction Value
Property Development & Investment	Bukit Jalil Sentral - Phase 1	1,200 residential units	RM900 million
	9 Seputeh Parcel A	490 residential units	RM400 million
	Lot F, KL Sentral	Mixed-development	RM1 billion
	Residensi Tujuh, Kwasa Sentral	573 residential units	RM385 million
	VISTA, Gold Coast, Australia	280 high-rise residential units	AUD504 million (≈ RM1,511 million)
	The Symphony Centre, New Zealand	21-storey mixed development	NZD452 million (≈ RM1,314 million)
	Bledisloe House, New Zealand	Refurbishment	NZD137 million (≈ RM398 million)
	Ipoh Raya Integrated Industrial Park, Perak	810.57-acre	Not Announced
	Chuping Valley Industrial Area, Perlis	One-storey production facility including warehouse and operations office across 100,874 sq. ft.	RM121.5 million
Engineering, Construction & Environment	Light Rail Transit 3 (LRT3)	Construction of 5 LRT stations as per the National Budget 2024	Not Announced
	Shah Alam Stadium	Redevelopment	Not Announced
	Kuala Lumpur Sentral Station	Redevelopment	Not Announced

ADVANCING SUSTAINABILITY AND CLIMATE ACTION COMMITMENT

We are committed to ESG, going beyond construction to create sustainable, interconnected spaces that foster community and economic growth. On the environmental front, we have expressed our commitment to climate action and made notable inroads for the year by reducing Scope 1 and Scope 2 carbon emissions intensity by 49% against our 2020 baseline, continuing our annual goal of a 4.2% decrease.

In 2023, we took further steps to improve our Scope 3 emissions disclosures and now disclose 88% by the value of the sum procured by our supply chain, compared to 64% in 2022. We also partnered with the United Nations Global Compact (UNGC) and conducted sustainability readiness assessments across our supply chain. This move is crucial in ensuring a just transition in our climate action efforts. By actively including our supply chain in our sustainability journey, particularly our SME suppliers, we aim to assess our progress along with theirs and implement engagement strategies that are inclusive to build a sustainable construction ecosystem.

In 2022, we began purchasing Renewable Energy Certificates (REC) through the Green Electricity Tariff programme offered by Tenaga Nasional Berhad. In 2023, we continued subscribing to a monthly total of 1,206,000 kWh of electricity generated from renewable sources for three buildings under our management, namely Celcom Tower, Plaza Alam Sentral, and Penang Sentral.

A Memorandum of Collaboration was signed with Bursa Malaysia, positioning MRCB as an early adopter of their Centralised Sustainability Intelligence Platform for the Construction Sector. The main goal of this initiative is to

improve sustainability practices and elevate reporting standards across public listed organisations. We believe this is an important step towards setting industry benchmarks in sustainable construction and the measurement of embodied carbon.

We are working closely with industry partners to equip the future construction workforce with knowledge and skills in using innovative and sustainable construction materials. To achieve this goal, we collaborated with CIDB Holdings Sdn Bhd and its Akademi Binaan Malaysia to enhance the construction-related programmes offered by their Technical and Vocational Education and Training (TVET) Centres.


A focal point of these programmes is the MRCB Building System (MBS), a more sustainable construction method that reduces waste and carbon emissions. Our proprietary MBS technology is at the forefront of sustainable construction methods. MBS technology accelerates project delivery by up to 50% compared to conventional methods while reducing carbon emissions through its efficient construction process.

MBS tackles challenges in conventional construction, effectively mitigating issues such as weather-related delays

and on-site safety hazards, while maintaining stringent quality control standards. Through MBS, sustainability is integrated into every phase of the construction, seamlessly aligning with both our clients' needs and our commitment to environmental responsibility.

MRCB's new Sustainable Design and Planning Policy has approached its finalisation stage in 2023. This policy serves as a comprehensive guide for MRCB to embed sustainability considerations into every facet of design and development, from initial concept to final construction, including the procurement of environmentally responsible materials. To this end, the Residensi Tujuh in Kwasa Sentral development will employ the MBS construction approach to minimise waste and carbon emissions.

We have also rolled out the Enterprise Resource Planning (ERP) system to drive further digitalisation and automation across our processes. The ERP system aims to achieve leaner and more cost efficient operations, streamlining workflows, and enhancing overall productivity within our organisation.

 For more details on Our Performance: Environment, refer to page 172



An artist's impression of the aerial view of Kwasa Damansara City Centre

EMPOWERING OUR PEOPLE FOR TOMORROW'S CHALLENGES

We believe in aligning our employees' capabilities with MRCB's vision for future growth and sustainability. To achieve this, we have implemented people management strategies prioritising employee well-being and performance. These include flexible working hours and providing comprehensive mental health and well-being programmes. A strong emphasis is also placed on learning and development, providing our people with opportunities for continuous professional growth.

In preparing our people for the challenges and opportunities of tomorrow, we focus on integrating key aspects of sustainability, Diversity, Equity and Inclusion (DEI), and human rights in our people management efforts. Our 'Introduction to Sustainability' course for all employees launched in 2023 covers various facets of sustainability, including DEI and human rights. We also continued to provide the UNGC Academy learning portal resource for all our employees, offering them access to various courses, including climate change and environment, Sustainable Development Goals, gender equality, human rights, and decent work. These educational resources are essential to empower our people to understand and contribute to MRCB's sustainability ambitions.

We actively participate in the CEO Action Network (CAN), a closed-door peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building, action, and performance. In August 2023, we announced our co-leadership in CAN's DEI workstream. We view this effort with a high degree of importance as building a DEI mindset overall can foster a more inclusive work culture, which extends to employee satisfaction, talent retention, and overall productivity.

In July 2023, we joined the esteemed 30% Club Malaysia as part of our commitment to advancing gender parity in the boardroom and senior leadership. A series of workshops on gender parity were conducted in November 2023, which provided insights into how unconscious bias influences perspectives and actions. The workshops aimed to foster an appreciation of gender equality and equity in our professional environment. Collectively, these efforts represent MRCB's comprehensive approach to building a more inclusive, sustainable, and future-ready organisation.



For more details on our DEI initiatives, refer to page 156



For more details on Our Performance: Social, refer to page 132

ACKNOWLEDGEMENT

We have set the groundwork for our next phase of growth. We are focused on executing our well-defined strategy to strengthen our core business, actively diversify revenue streams, and integrate technological advancements in our operations. Our commitment to maintaining quality across products and human resources solidifies our strong position in property and construction. This strategy allows us to balance risks effectively and leverage emerging opportunities, positioning us for future growth and resilience.

Our achievements in 2023 were made possible by the concerted efforts of many. I extend my deepest appreciation to our former Chairman, Dato' Seri Amir Hamzah Azizan, for his leadership and valuable contribution. I warmly welcome our new Chairman, Dato' Mohamad Nasir AB Latif, whose insights and guidance will be instrumental in leading us forward as we progress ahead. I am grateful for the support and guidance of the Board of Directors in steering our path towards sustained performance.

I would like to accord my special thanks to our employees for their dedication and exceptional performance. Working with such a team is indeed a privilege. To our shareholders, clients, and business partners, your ongoing support is invaluable, and we remain committed to delivering long-term value.

Datuk Imran Salim
Group Managing Director