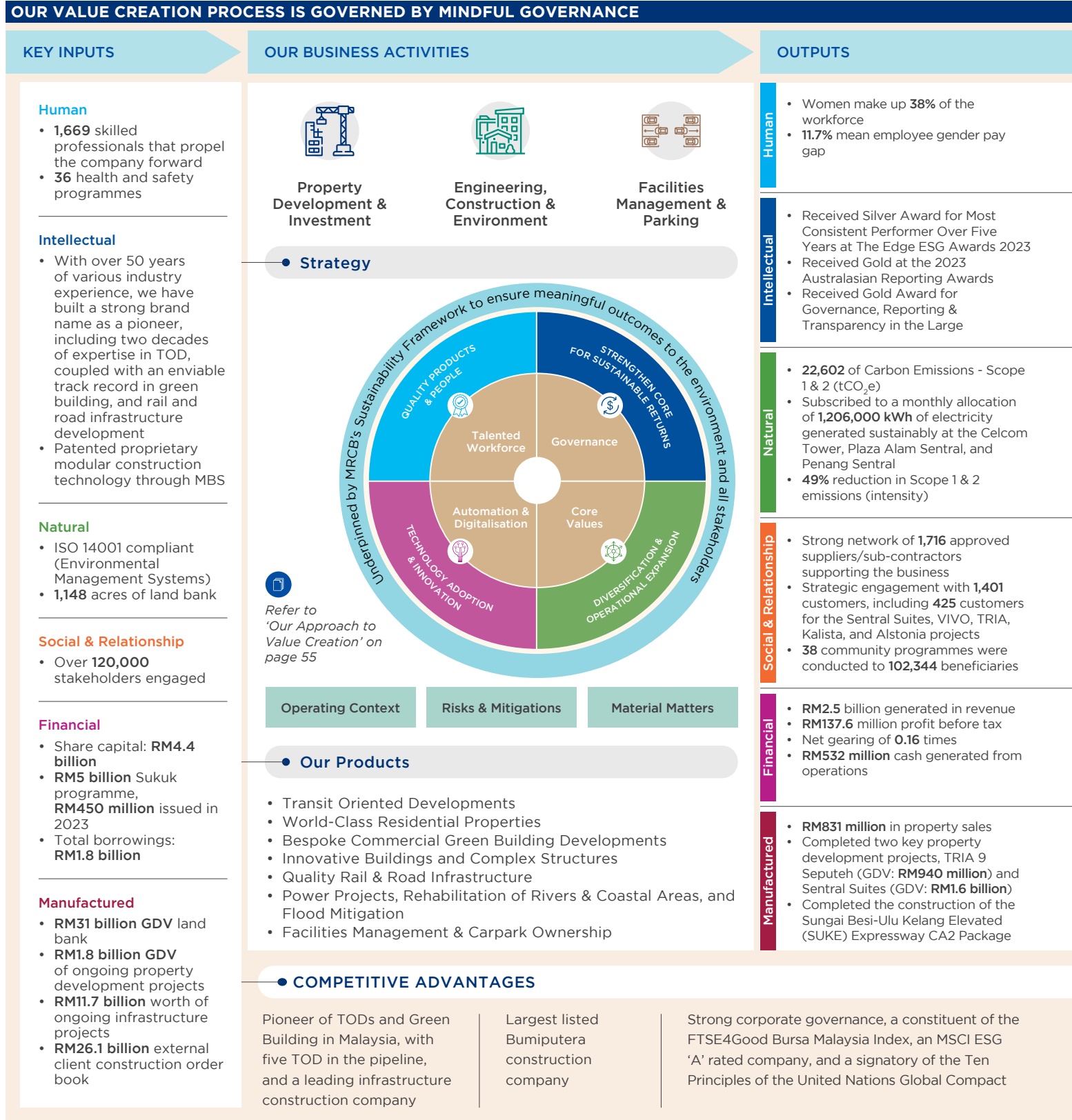


# Our Value Creating Business Model

As a pioneer of Transit Oriented Developments (TOD) and a leading infrastructure construction company, we are committed to understanding the continuously evolving stakeholder needs and expectations that will enable us to create value for all.



PURPOSE	VISION	MISSION	VALUES
To Build Meaningful Places for a Better Tomorrow	Setting the Standard	Leading the field through innovation in Property Development, Engineering and Construction	<ul style="list-style-type: none"> <li>• Courageous</li> <li>• Creative</li> <li>• Driven</li> <li>• Customer Centric</li> <li>• Accountable</li> </ul>

	VALUE CREATED	STAKEHOLDERS IMPACTED & UNSDG ALIGNMENT
<ul style="list-style-type: none"> <li>• <b>6.4</b> average training hours per employee</li> <li>• Achieved <b>&gt;1-million</b> man hours without LTI for Sentral Suites, PRIMA Brickfields, and TRIA 9 Seputeh</li> </ul>	<p><b>Human</b></p> <ul style="list-style-type: none"> <li>• <b>RM239.6 million</b> paid in salaries and benefits</li> <li>• Achieved a 5-Star SHASSIC rating for our PRIMA Brickfields development</li> </ul>	
<p>Corporation Category at the ESG Positive Impact Awards 2022</p> <ul style="list-style-type: none"> <li>• Patented the MBS Technology in 20 countries and pending patents in an additional 11 countries</li> <li>• Licensed the MBS technology in Singapore and Hong Kong</li> </ul>	<p><b>Intellectual</b></p> <ul style="list-style-type: none"> <li>• Increased FTSE4Good Scores from 3.2 to <b>3.6 points</b> (out of 4.0)</li> <li>• Established as a pioneer in Malaysia, transitioning from traditional to modular construction through our first development using MBS technology for our Residensi Tujuh, at Kwasa Sentral development</li> <li>• Expansion of our MBS technology overseas, marking international adoption in Singapore as well as newly completed two blocks of 19-storey student residences in Hong Kong</li> <li>• Upgraded MRCB's MSCI ESG rating from 'BBB' to 'A'</li> <li>• Collaborated with CIDB to enhance construction industry Technical and Vocational Education and Training construction programmes</li> </ul>	
<ul style="list-style-type: none"> <li>• Conducted physical risk financial quantification on the water stress and urban flood</li> <li>• All commercial development projects qualified for Green Building Index accreditation</li> </ul>	<p><b>Natural</b></p> <ul style="list-style-type: none"> <li>• Achieved our target of more than <b>4.2%</b> reduction of carbon emissions annually and sourced 55% of our energy consumption from renewable energy sources for three of our managed buildings</li> <li>• Increased Scope 3 data collection from supply chain to <b>88%</b> from 64%</li> <li>• Strategic collaboration with Bursa Malaysia in its Early Adopter Programme for Centralised Sustainability Intelligence Platform</li> <li>• Identified climate-related financial risks and opportunities aligned with the TCFD</li> <li>• Developed a new design policy for future sustainable developments and unavoidable damage to biodiversity caused by development projects</li> </ul>	
<ul style="list-style-type: none"> <li>• <b>460</b> prisoners/offenders participated in the PEKA@MRCB programme as site workers</li> <li>• Conducted <b>16</b> engagements with <b>673</b> participants from the investment community, including seven ESG-specific sessions</li> </ul>	<p><b>Social &amp; Relationship</b></p> <ul style="list-style-type: none"> <li>• <b>RM1,894 million</b> or <b>99%</b> of procurement budget spent on local suppliers/sub-contractors</li> <li>• Engaged with 751 of our suppliers/sub-contractors, of which 50 have completed UNGC's "ESG Start" assessment</li> <li>• <b>Achieved</b> an overall customer service excellence score of <b>80%</b> based on the customer experience survey for the Sentral Suites, VIVO, TRIA, Kalista, and Alstonia projects</li> <li>• <b>RM5.3 million</b> spent on local communities</li> <li>• Received Partnership For The Goals Recognition for PEKA@MRCB programme at the UN Global Compact Network Malaysia &amp; Brunei Awards</li> <li>• Fostered innovation through MRCB's Industrial Collaboration Programme by aligning business endeavours with Malaysia's economic goals and awarded a total of <b>64</b> contracts to the ICP Project Providers, with an average value of between RM250,000 to RM500,000 per project</li> </ul>	
<ul style="list-style-type: none"> <li>• Received in <b>RM20.8 million</b> of income</li> <li>• Disposed of <b>RM628 million</b> of properties</li> <li>• Achieved residential property sales of <b>RM831.3 million</b></li> </ul>	<p><b>Financial</b></p> <ul style="list-style-type: none"> <li>• Increased Profit After Tax by 89% to <b>RM101 million</b></li> <li>• Increased EPS by 56% to <b>2 sen</b></li> <li>• <b>RM33 million</b> tax paid to the Government</li> <li>• Delivered a dividend payout of <b>RM45 million</b> to its shareholders, reflecting a dividend of 1.0 sen per share</li> </ul>	
<ul style="list-style-type: none"> <li>• LRT3 achieved physical construction progress of <b>92%</b> and financial progress of <b>88%</b></li> <li>• Launched VISTA in Gold Coast, Australia (GDV: <b>RM1.5 billion</b>) and Tujuh Residensi Kwasa Sentral (GDV: <b>RM385 million</b>)</li> </ul>	<p><b>Manufactured</b></p> <ul style="list-style-type: none"> <li>• Ranked 4<sup>th</sup> for the Top-of-the-Chart Award at The Star Malaysia Developer Awards (MDA) 2023</li> <li>• Received the "Outstanding Overseas Project Award" for 1060 Carnegie at The Edge Malaysia Property Excellence Awards 2023</li> <li>• Received <b>three</b> PropertyGuru Asia Property Awards (Australia) 2023:             <ul style="list-style-type: none"> <li>▶ Best Boutique Developer - MRCB International</li> <li>▶ Best Lifestyle Development (Queensland) - 26 VISTA</li> <li>▶ Best Eco Friendly Apartment Development - 26 VISTA</li> </ul> </li> <li>• Achieved <b>&gt;70%</b> QLASSIC rating for Residential-Sentral Suites and TRIA Residences @ Seputeh</li> </ul>	

Innovated a proprietary modular construction technology, MRCB Building System (MBS)

Led by a Board and Management team that provides strong leadership, expertise, and insights

Long pipeline of projects through a land bank of **1,148 acres** with a GDV of **RM31 billion**, an external client construction order book of over **RM26.1 billion**, and a strong balance sheet with net gearing of **0.16 times**

## TRADE-OFFS BY CAPITAL

The six Capitals are our means to achieve strategic objectives and create value for our stakeholders. These are the resource and relationship inputs that enable value-creating activities and outcomes. While managing these Capitals, businesses frequently experience trade-offs between and within them. Our aim is to maximise the positive outcomes of our capital inputs and minimise any trade-offs. In doing so, we balance value creation's short, medium, and long-term outcomes. Below is a review of our Capitals and their trade-offs.

### HC HUMAN CAPITAL

#### • Our Approach

Ensure optimal productivity and provide a conducive workplace that embraces diversity and creates a safe, secure, and positive work environment.

We believe that our employees' goals should be aligned with the Group's and as such, we aim to ensure their personal and professional needs are met.

#### Value Creation

Create motivated teams with innovative ideas, invest in learning & development, and produce a pipeline of internal talents.

#### Trade-Offs

High turnover as talented employees are headhunted by other companies in the same industry.

#### Our Focus in 2023

We fostered a supportive workforce through enhanced Diversity, Equity & Inclusion (DEI) activities, engaging 67% of our general managers. Notable initiatives included disability awareness training for 160 Auxiliary Police officers and Security Guards at Kuala Lumpur Sentral Station; Gender Parity Workshops to address unconscious biases; and sessions with clinical psychologists to promote mental and physical well-being. Two new initiatives were introduced: SOCSO health screenings and Mulaaa payroll services. The payroll services include Mid-Month Payout (MMP) and Earned Wage Access (EWA) to help manage staff's monthly expenses, emergencies, or any unplanned expenditures between paydays. MRCB's commitment to gender equality was reinforced through participation in the 30% Club Malaysia. We conducted an assessment based e-learning Anti-Bribery & Anti-Corruption Awareness Programme, attended by 98.4% of employees, promoting continued awareness and training on anti-bribery and anti-corruption practices, as well as MRCB's Whistleblowing Policy. We have also achieved an average of 6.4 training hours per employee with impactful and diverse training and development programmes, driving all MRCB employees toward continuous learning and skill enhancement.

## IC INTELLECTUAL CAPITAL

### • Our Approach

Aggressively defend our market-leading position in the property and construction sectors by leveraging on our TODs and Green Building expertise. We ensure compliance with globally recognised management systems and invest in the innovation of a proprietary modular construction technology, MBS, which is more sustainable and efficient. MRCB also looks at continuously adding value to the production process and development of end products.

Using our intellectual capital and expertise to innovate solutions for our climate change adaptation infrastructure; like food mitigation, renewable energy and energy transition infrastructure, the industrial and logistics segment, sustainable stadiums, as well as waste-to-energy to provide new and diverse sources of long-term revenue.

### Value Creation

Our strong track record strengthens our value proposition as a TOD and Green Building developer, and an engineering company with innovative and forward-looking project delivery solutions for customers.

### Trade-Offs

Investments in new technologies are earmarked to delivering returns over the long term, with no immediate financial rewards, putting pressure on profitability and cashflow in the short term.

### Our Focus in 2023

Launched the RM385 million GDV residential development, Residensi Tujuh at Kwasa Sentral, which will showcase our proprietary MBS technology. This is the first residential development in Malaysia to utilise MBS. Our technology has successfully gained patents in 20 countries and pending patents in 11 others. This technology was also licensed and used in already completed projects in Singapore and Hong Kong, marking international adoption. We have also completed the User Acceptance Testing of our new ERP Platform and completed data migration for the Engineering, Construction & Environment division and the Property Development & Investment Division, which went live in Q4 2023. Additionally, our administration costs have been reduced due to our successful deployment of the Defect Management System for property buyers.

NC

## NATURAL CAPITAL

### • Our Approach

Manage our consumption of energy, water, and materials through monitoring and efficiency measures. Develop sustainable construction methodologies like MBS, which is a faster and more energy and waste-efficient construction technology. Implement more rigorous sustainable procurement strategies by implementing policies and processes that embed sustainability at the project design stage ensuring only locally sourced materials are specified and materials that meet sustainability specifications are procured.

### Value Creation

Progressively reduce our environmental footprint and deliver responsible products (value proposition) to our customers.

### Trade-Offs

Our consumption footprint and the associated costs increase as we expand and grow our operational and geographical footprint.

### Our Focus in 2023

In 2023, our focus on natural capital centred around implementing more energy reduction strategies across our operations, and employing technology such as MBS and modular construction to minimise waste and emissions. This resulted in a notable 49% reduction in Scope 1 & Scope 2 emissions (intensity). We expanded our Scope 3 reporting by collecting carbon emissions data from major sub-contractors. A partnership with Tesla Inc. was initiated to install EV charging stations within MRCB's car park facilities, aligning with our commitment to sustainable practices. To further reduce carbon emissions, we collaborated with UNGC to assess the sustainability practices of our supply chain. Our active involvement in UN-level and CEO Action Network initiatives, along with the adoption of science-based carbon emission reduction targets, reflected our dedication in addressing climate challenges. In enhancing climate risk disclosures, we incorporated more of the Task Force on Climate-related Financial Disclosures (TCFD) framework, focusing on quantitative analysis to assess the financial impact of physical climate risks on our assets. This allowed for more robust climate risk disclosures. A significant step was taken by signing a Memorandum of Co-operation with Bursa Malaysia to join the Early Adopter Programme for its Centralised Sustainability Intelligence Platform, demonstrating our commitment to transparency and sustainability reporting.

**SRC SOCIAL AND RELATIONSHIP CAPITAL**

**Our Approach**

Engage and cooperate with various stakeholders, including regulators, suppliers, and sub-contractors, regarding their expectations and pain points. Also, support local communities through CSR programmes and community development initiatives.

**Value Creation**

Strengthen stakeholder relationships and reinforce their confidence in our resilient business and solutions.

**Trade-Offs**

Due to the increasing importance of environmental, social, and governance (ESG) matters, resources (financial and non-financial) are allocated to address critical stakeholder expectations, irrespective of their priority and returns to the business.

**Our Focus in 2023**

MRCB demonstrated a dedicated focus on social and relationship capital through impactful initiatives. Notably, the company engaged in a corporate social responsibility initiative with the Orang Asli community of Royal Belum State Park, Perak, delivering essential household supplies, conducting health check-ups, and providing crucial hygiene education to over 150 indigenous families in Bongor Village. MRCB furthered its commitment to the broader community through the PEKA@MRCB programme, a structured prisoner upskilling initiative launched in 2019, which has trained 460 prisoners since its launch. Collaborating with the Construction Industry Development Board (CIDB) and Akademi Binaan Malaysia, MRCB contributed to the improvement of Technical and Vocational Education and Training (TVET) programmes to address skills gaps in the construction sector. Additionally, MRCB constructed Pustaka KL Digital Madani@Bandar Sri Permaisuri, a state-of-the-art digital library equipped with digital recreational amenities for Dewan Bandaraya Kuala Lumpur.

This facility aims to foster lifelong learning and social engagement within a diverse population segment by reaching out to non-affluent communities, providing them with equal access to a wealth of resources, and tackling digital inequity head-on. MRCB also channelled financial assistance in cash and in-kind (food packs, school supplies, renovations, etc.) for underprivileged and marginalised communities.

FC

## FINANCIAL CAPITAL

### • Our Approach

Manage liquidity and maintain a sound financial structure and a healthy balance sheet while keeping the Group relatively asset and debt-light. Ensure business operations are optimised to generate revenue, profits, and cashflow. Efforts are undertaken to ensure access to capital meets future sustainability requirements.

### Value Creation

Maintain and deliver attractive shareholder and investor returns by disposing of non-core assets and monetising our inventory of completed unsold stock. Refinance high-interest rate debt with lower interest rate debt.

### Trade-Offs

There is a trade-off between the interests of short-term investors who seek to maximise short-term gains and our longer-term growth plans that require the investment of financial capital. Investors are also increasingly demanding more rigorous ESG and climate mitigation strategies, which require capital investment and will impact financial performance and returns for investors in the short to medium term.

### Our Focus in 2023

Raised funds through our RM5.0 billion Sukuk programme, from which an additional RM0.45 million was issued in three tranches at a rate of 5.19%, 5.26% and 5.43% respectively with 3 to 6 years tenures, largely to refinance higher interest rate debt at lower interest rates. MRCB also developed a Sustainable Financing Framework, which was rated GOLD by MARC Ratings Berhad, that sets the guidelines for the Group's future fundraising through sustainable debt instruments. We disposed Menara CelcomDigi to Sentral REIT for RM450 million, aligning with our asset optimisation strategy while increasing dividend income via acquiring additional units in Sentral REIT and disposed of Plaza Alam Sentral for RM178 million. We sold completed unsold residential stock amounting to RM384.8 million. The Group also continued its plan to diversify into new market segments in Malaysia, expanded overseas, and mobilised MBS to accelerate returns and improve its sustainability.

We prioritised financial management to enhance efficient capital structure in the Group. Proactive cash flow management kept our net gearing ratio at a healthy 0.16 times. We secured dependable income streams through our REIT and strategic 49% shareholding in ZM Property Management, ensuring consistent dividend returns. Furthermore, we restructured loans totalling RM200 million in April 2023 and RM250 million in July 2023, capitalising on lower interest rates to optimise our debt profile and fuel future growth.

MC

## MANUFACTURED CAPITAL

### • Our Approach

The Group's urban land bank continues to be carefully and strategically developed to provide sustained revenues in the future. TOD are aligned with national infrastructure plans and our focus on green buildings. The Group actively tenders for complex construction projects with higher pre-qualification requirements and barriers to entry; like rail infrastructure, climate change adaptation infrastructure, energy transition and renewable energy development projects, and sustainable stadiums. Efforts are undertaken to ensure materials are locally sourced and meet sustainability specifications.

#### Value Creation

Develop sustainable communities through our TOD that seamlessly integrate mass public transport with working and living areas to improve productivity and enhance economic activity and social development.

Protect the environment by constructing responsibly using sustainable materials and new technologies.

#### Trade-Offs

Further development of our urban land bank could reduce green spaces within urban areas and create negative impacts on natural capital.

#### Our Focus in 2023

TOD projects continue to be pursued as a smarter solution for integrated and connected living that reduces urban sprawl, road congestion, and carbon emissions. MRCB will extend its expertise in Auckland, New Zealand, to develop The Symphony Centre in the Central Business District with a GDV of NZD452 million ( $\approx$  RM1,314 million).

In 2023, MRCB completed the construction of the Sungai Besi-Ulu Kelang Elevated (SUKE) Expressway CA2 Package, which has reduced traffic congestion during peak hours on the Middle Ring Road 2 (MRR2). We also completed the construction of two of our largest property development projects, Sentral Suites, with a GDV of RM1.6 billion, and TRIA 9 Seputeh, with a GDV of RM0.9 billion.

Our LRT3 project achieved its targeted 92% physical construction progress as of 31 December 2023. The Government of Malaysia announced in Budget 2024 its plan to build an additional five stations on the LRT3 line in Selangor. Continued emphasis was given to ensuring all commercial development projects qualified for the Green Building Index accreditation.