

Chairman's Reflections

DEAR STAKEHOLDERS,

Having successfully navigated an extended period of societal and economic upheaval due to the pandemic, we embraced the path to economic recovery while continuing to address complex challenges. Despite concerns such as a climate crisis, geopolitical tensions, inflationary pressures, and interest rate rises impacting various industries, including ours, we viewed these times as opportunities for strategic growth and adaptation. By reassessing our position in this dynamic environment, we reaffirmed our commitment to our diversification strategy and aligned it even more closely with industry changes and global shifts. In doing so, we continued our efforts to strengthen our foundation for a more resilient future.

Strengthening for a Resilient Future

A YEAR OF ECONOMIC RESILIENCE

The global economy demonstrated unexpected resilience in 2023, charting an estimated 3.0% growth rate. Despite this, long-term prospects remain uncertain due to ongoing geopolitical conflicts affecting critical sectors such as energy and food. Although headline inflation has lowered in many countries, core inflation remains high, prompting central banks to take extraordinary measures through monetary tightening policies. There are concerns that high inflation could persist longer than anticipated, potentially requiring interest rates to remain high for longer than expected.

Dato' Mohamad Nasir AB Latif
Chairman



Malaysia's economy expanded moderately, with 3.7% growth in 2023. This positive outlook was fuelled by domestic demand, improved employment, and income growth. Although market uncertainties were amplified by China's economic slowdown, easing inflation has somewhat offset this, stimulating property demand locally. However, the weakening Ringgit continues to be a financial risk factor.

In the construction sector, challenges such as cost inflation and supply chain disruptions remain prevalent. Yet the industry has shown resilience, spurred by mid-size public sector projects such as road construction and private sector growth.



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



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



+3.0%

GLOBAL ECONOMIC GROWTH IN 2023



3.7%

MALAYSIA'S ECONOMY EXPANDED MODERATELY



Kuala Lumpur Sentral CBD

MAINTAINING MOMENTUM

MRCB adopted a thoughtful and deliberate course of action for the year under review, maintaining steady progress in its ongoing projects. In late 2022, we completed the MRT Line 2 Package V210 and the Damansara-Shah Alam Elevated Expressway Package CB2 (DASH) construction projects. Carrying this momentum into 2023, we completed the Sentral Suites and TRIA 9 Seputeh property development projects, and the Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) construction project.

We strategically launched RM1.9 billion worth of new property projects to align with market conditions and match supply with demand. We timed the launch of the VISTA residential development in Gold Coast, Australia and Residensi Tujuh in Kwasa Sentral based on market conditions. Additionally, the disposal of Menara CelcomDigi was a calculated decision aligned with our broader financial strategy to optimise asset management, enabling us to channel our resources and manage our balance sheet more effectively.

Diversification and operational expansion are becoming increasingly central to our long-term success. We intensified our focus on diversification to adapt to evolving market dynamics and ensure a more robust financial outlook. This involved broadening our portfolio to stabilise revenue streams and seize opportunities in new markets while enhancing our core business areas. Geographically, we have cast our eyes on expansion into Australia and New Zealand, which are markets that align well with our expertise and strategic objectives.

We have also entered the industrial sector to complement our existing core markets. As we strive for a future that balances profitability with responsibility, we are turning our focus towards waste-to-energy and clean energy initiatives. This approach aligns with global trends and resonates with our broader vision for a sustainable future.

CONTRIBUTING TO SOCIO-ECONOMIC VALUE CREATION

Today, aligning sustainability with growth has become a non-negotiable imperative. Consistent with MRCB's guiding purpose, 'To Build Meaningful Places for a Better Tomorrow', our efforts extend well beyond the balance sheet. We understand that meaningful places are those that are sustainably built and can positively impact our environment and communities.


Our commitment to sustainable urban growth is showcased in our large-scale Transit Oriented Developments (TODs), which incorporate our pioneering efforts in Green Building practices. These TOD projects, such as the Kuala Lumpur Sentral, PJ

Sentral Garden City, Penang Sentral, and Kwasa Sentral, blend sustainable building practices with efficient mass transport systems. They serve as dynamic engines of growth, creating considerable social and economic value across various layers of society.


The use of innovation and technology in our approach to sustainable construction is exemplified by the patented MRCB Building System (MBS) modular construction technology. This plays an important role in our sustainable construction efforts and holds potential benefits for the broader construction industry. With the aim of encouraging wider adoption of sustainable practices in the industry, we are keen on licensing MBS to other players.

We formed strategic public-private partnerships to strengthen industry capabilities and bridge the skills gap in the construction sector. This effort is realised through our collaboration with CIDB Holdings Sdn Bhd and its Akademi Binaan Malaysia in the Technical and Vocational Education and Training (TVET) programmes. A key component of the TVET initiatives is the PEKA@MRCB programme, established in 2019, and is now an integral part of our broader TVET efforts. The PEKA@MRCB programme provides upskilling and employment opportunities for low-risk and soon-to-be-released offenders. This skills-building and social reintegration programme has garnered us awards, but the real achievement lies in the positive and transformative impact that we have seen on the lives of these low-risk ex-offenders.


We also constructed Pustaka Digital, which we handed over to Dewan Bandaraya Kuala Lumpur (DBKL) for their onward management. This state-of-the-art facility, equipped with digital recreational amenities, aims to encourage lifelong learning and social engagement among a diverse population segment. Additionally, in collaboration with the Malaysian Association for the Blind, training in disability awareness was provided to our security personnel.


 For more details on our Digital Library, refer to page 164

MRCB's commitment to the community is deeply enhanced by the hands-on volunteer work of our employees who actively bring our social responsibility goals to life. This year, through Yayasan MRCB, employees volunteered on a community initiative to offer health services and educational support to the Orang Asli communities in Royal Belum, Gerik, Perak.

 For more details on our Orang Asli CSR initiative, refer to page 165

We strive to foster an inclusive and equitable workplace, and progress our commitment to Diversity, Equity, and Inclusion (DEI). To further this, we implemented key internal programmes such as Disability Equality Training and Gender Parity Workshops. We also assumed a leadership role in the CEO Action Network's (CAN) DEI workstream. Our election as Co-Lead of the CAN DEI workstream highlights our role in shaping DEI strategies for diverse organisations across Malaysia.

 For more details on our DEI initiatives, refer to page 152

 For more details on our PEKA@MRCB programme, refer to page 168



An artist's impression of the proposed redevelopment of Stadium Shah Alam

ENHANCING GOVERNANCE AND STRENGTHENING ESG PRACTICES

Our governance framework actively supports and drives our strategic goals. The Board consistently upholds high governance standards, setting the tone for the entire Group. During the year, the Group's Conflict of Interest (COI) Policy, Board Charter, and Terms of Reference for the Audit and Risk Management Committee were updated to align with Bursa Malaysia's new guidelines. The revised policy not only fuels our commitment to transparency but also assures that we remain in step with the evolving regulatory landscape.

We align our business strategy with the United Nations Sustainable Development Goals, reflecting our broader duty to society and the planet. Our Sustainability Framework serves as a linchpin in this equation, integrating our sustainability efforts into every facet of our operations and culture.

During the year, we took steps to further strengthen Environmental, Social, and Governance (ESG) tenets across our operations. A comprehensive Climate Strategy Framework that addresses environmental and climate-related risks and opportunities was implemented to support our ambitious goal of attaining Net Zero Carbon by 2050.

We recognise the financial implications of climate risks in today's business environment. We are actively working on enhancing our climate risk disclosures by incorporating more of the Task Force on Climate-related Financial Disclosures (TCFD) framework. Our current focus involves undertaking quantitative analysis to quantify the financial impact of climate

risks and opportunities for more robust climate risk disclosures. This will equip us further with a clearer understanding of how climate variables could impact our financial stability and, conversely, the financial opportunities that arise from responsible climate transition actions.

A Sustainable Financing Framework, rated gold and independently assessed by Malaysian Rating Corporation Berhad (MARC), was established and serves as a roadmap for our future capital-raising activities in sustainable debt markets. Importantly, funds raised through these financial instruments will be strategically directed to projects that further our transition to a resource-efficient and circular economy.

In recognition of our efforts to strengthen our ESG practices, MRCB was selected to participate in the Early Adopter Programme within the construction sector category for Bursa Malaysia’s Centralised Sustainability Intelligence Platform. Developed in collaboration with the London Stock Exchange Group (LSEG), this innovative platform will enable us to enhance sustainability disclosures, streamline carbon emissions management, and promote ESG transparency across our operations and supply chain. Our active participation in this initiative will set the benchmarks in disclosing standardised ESG data and calculating carbon emissions impact for our peers in the construction sector.

We also partnered with the United Nations Global Compact (UNGC) to undertake a comprehensive sustainability assessment across our supply chain. This collaboration provided valuable insights and will be instrumental in developing our sustainability strategies. Our focus is on ensuring a just transition, where we actively include our supply chain, particularly our SME suppliers, in our sustainability journey.

All these efforts to set higher benchmarks in ESG practices have enabled MRCB to improve its score from 3.2 to 3.6 in the FTSE4Good Bursa Malaysia Index, and achieve an MSCI ESG rating upgrade from ‘BBB’ to ‘A’.



For more details on our ESG performance, refer to page 287, Corporate Governance Overview Statement on page 214, and Our Performance: Social on page 132



An artist's impression of The Symphony Centre in Auckland, New Zealand

AWARDS AND ACCOLADES

We believe that high-quality corporate reporting is critical for building a trustworthy and transparent relationship with our stakeholders. It is therefore encouraging to note that our efforts to enhance our corporate reporting standards have been honoured with the Gold Award at the 2023 Australasian Reporting Awards.

MRCB's leadership in responsible business practices was recognised at the ESG Positive Impact Awards 2022 when we received the Gold Award for Governance, Reporting & Transparency in the large corporation category. This award, arranged by The Star and OCBC Bank, and backed by organisations like EY and the Malaysian Institute of Corporate Governance, is a recognition given to businesses that exemplify best ESG practices.

We were also honoured with the 'Most Consistent Performer Over Five Years' Silver Award at The Edge ESG Awards 2023. This accolade, in collaboration with Bursa Malaysia and FTSE Russell, also underscores our commitment to ESG excellence and the steady improvement over the years in our FTSE4Good Bursa Malaysia Index scores, which we have been a constituent of since 2014.

Our initiatives in sustainable property development also earned us acclaim through awards for our Australian projects. We were recognised with several distinctions in 2023 such as Best Lifestyle Development, Best Eco-friendly Apartment Development, and Best Boutique Developer at the Property Guru Asia Property Awards 2023. Additionally, The Edge Malaysia Property Excellence Award 2023 acknowledged MRCB with the Outstanding Overseas Project Award.

These awards remind us of the importance of our commitment to responsible corporate citizenship and excellence in property development. We see these honours as encouragement to further refine our approach to good business conduct and sustainable business practices.

WELL-POSITIONED FOR THE NEXT CYCLE OF GROWTH

After briefly moderating our pace in the wake of the pandemic era, we have entered our next cycle of growth. We enter 2024 from a position of strength, bolstered by a substantial RM3.6 billion worth of upcoming launches, a RM30 billion tender book, and an unbilled construction order book of RM15.7 billion.

The diversification of our project portfolio, which extends geographies and market sectors, underlines our strategic intent to create a more resilient and agile business. In the coming years, MRCB will continue to adopt an asset and land bank strategy to diversify its portfolio, enhance long-term value, and capitalise on monetisation opportunities. We are also identifying and evaluating underutilised assets for sale. The proceeds will be strategically reinvested in projects that hold the promise of better or more consistent long-term revenues and value creation for the Group.

In a business environment marked by volatility and change, foresight and adaptability are not just virtues but necessities. Our business is no exception. We anticipate a series of opportunities along with challenges in the market conditions ahead. The resilience demonstrated by the Group in the past, reinforces our belief in the strategies set for the future.

ACKNOWLEDGEMENT

As we advance ahead, I want to acknowledge that the progress we have charted is the result of the collective endeavour of many, past and present. On behalf of the Company, I would like to extend our sincere appreciation to our former Chairman, Dato' Seri Amir Hamzah Azizan, for his exemplary leadership, wise counsel, and outstanding contribution to the Group. We wish him continued success in his new role of Minister of Finance II, where we are in no doubt that he will be a great asset to the nation.

I would like to extend my appreciation to my fellow Board members for their constructive insights and robust deliberations, which have been important in shaping our strategic direction and decision-making, and to the Management team and all our employees for their tireless efforts during the year.

On behalf of the Board of Directors, I would also like to extend our appreciation to the authorities, relevant Ministries, and regulators for their continued support of MRCB. To our shareholders, clients, and business partners, your loyalty and trust in our vision encourage us to aim higher and achieve more.

Dato' Mohamad Nasir AB Latif

Non-Independent Non-Executive
Chairman