RESPONSES TO QUESTIONS RECEIVED FROM MINORITY SHAREHOLDERS WATCH GROUP ("MSWG")

IN RELATION TO THE 16TH ANNUAL GENERAL MEETING ("AGM") OF THE COMPANY - APPENDIX I

UEM SUNRISE BERHAD ("THE COMPANY")

200801028815 (830144-W)

– Operational/Financial Matters

Question 1

The "others" business segment continued to record loss before tax of RM63.2 million in FY 2023 as compared to a much lower loss of RM53.5 million in FY 2022. (Pages 277 & 279 of IAR).

(a) Please name the major components of the "others" business segment that recorded high loss before tax for both FYs 2022 and 2023.
(b) Please explain the reasons for the higher loss before tax in FY 2023.
(c) What measures has the Group taken to either reduce the loss or turnaround the business units that recorded losses before tax?
(d) Will the "others" business segment be able to turnaround in FY 2024? If not, why?

Response

(a) The "Others" business segment covers all non-core business activities of the UEM Sunrise Group, apart from Property Development and Property Investment and Hotel Operations. These mainly involve the operations of our ancillary assets such as our two District Cooling System ("DCS") plants in Solaris Dutamas and Iskandar Puteri respectively, the Estuari Sports Centre and the Ledang Urban Retreat Clubhouse.

This business segment also includes the costs from our headquarters and support services that cannot be apportioned directly to core segments, as well as the investment holding costs of our remaining undeveloped landbanks, particularly in Johor, Malaysia.

(b) The higher loss before tax in FY2023 was mainly due to an increase in the operating costs of our ancillary assets following the hike of the commercial tariff for electricity, as well as an increase in maintenance costs for aging DCS equipment which were due for major refurbishment or replacement.

Response (Cont'd)

In addition, the finance cost for our working capital also increased significantly in FY2023 in line with the 125 basis points increase in the Overnight Policy Rate from 1.75% in 2022 to 3.00% in 2023.

(c) We are actively pursuing various strategies to improve the performance of these ancillary assets. Among others, we are exploring proposals to upgrade and/or refurbish our DCS plants via a collaborative arrangement with specialist operators or service providers in the energy management or district cooling systems sector.

For the Estuari Sports Centre, we have entered into a collaboration with Intermedika in March 2024 to perform an in-depth business strategy review and conduct feasibility studies for the creation of "Urban Healthy Hubs" to bolster a healthy living community through our integrated development.

(d) We are hopeful that the identified initiatives will be able to contribute to an improved performance for our ancillary assets, and narrowing the losses from the operations.

Question 2

In the ageing analysis of trade receivables, debts past due but not impaired were RM170.4 million in FY 2023, a sharp drop compared to RM375.1 million in FY 2022. (Page 321 of IAR).

(a) Please explain why the trade receivables past due but not impaired were high in both FYs while the trade receivables aged in the ranges from 1 to 90 days were much lower.
(b) Please provide the names of the top five trade debtors with debts amount past due but not impaired for both FYs 2022 and 2023 respectively.

Response

(a) A significant majority of the overdue trade receivables which have not been impaired, primarily consist of progress billings from our property development projects. These billings are typically secured by housing loans and/or financing from end-financiers. The amount was notably higher in FY2022 due to the completion of a major project, Solaris Parq, towards the end of 2022 which amounted to nearly half of the total receivables. The distribution of the amounts between the various time frames such as 1 to 30 days, and 31 to 60 days reflects the timing of the actual billings issued for our various projects.

The overdue trade receivables are not a major concern for us, as the collection delays primarily stem from the time and processes involved in loan disbursements, rather than underlying issues with the receivables. Our Credit Control team diligently monitors the outstanding payments and actively follows up with the various end financiers to expedite the disbursement process.

(b) As explained above, the receivables past due but not impaired as reported on Page 321 of the IAR mainly represent the total receivables from individual purchasers across our diverse range of projects. We do not have any major concentration of credit risk.

In line with the Personal Data Protection Act 2010, we regret to inform you that we are unable to fulfil this request as we are committed to upholding our legal obligations.

Question 3

The property investment and hotel operation ("PIAHO") business suffered two consecutive years of losses before tax in FY 2022 (RM31.4 million) and FY 2023 (RM24.12 million). (Pages 277 & 279 of IAR)

(a) Please provide a breakdown of the profit/loss before tax for property investment and hotel operations respectively for both FYs 2022 and 2023.
(b) Please explain the reasons why PIAHO continued to record losses before tax for the past two consecutive years.
(c) Which business unit in the PIAHO is expected to turnaround in FY 2024?

Response

(a) The breakdown of the losses for this portfolio in FY2022 and FY2023 is summarised below:

	RM mil	
	FY2023	**FY2022**
Property Investment	(20.5)	(19.6)
Hotel operations	(3.6)	(11.8)
Total	(24.1)	(31.4)

(b) Operationally, we have observed positive trends such as increased footfall, improved occupancy rates and better rental rates from most of our major assets such as Publika, Hyatt House, Arcoris Retail in the Central region and the Anjung Mall and Puteri Harbour International Ferry Terminal ("PHIFT") in the Southern region, which yielded EBITDA positive results for both FY2022 and FY2023.

However, other assets such as our retail and car park assets at Mercu Summer Suites in the Central region as well as the Marina Walk and Mall of Medini in the Southern region continued to perform below expectations and these, along with the high finance costs and depreciation charges associated with the assets across our portfolio have resulted in the continued losses before tax over the past two years.

In September 2023, the Company has conducted a comprehensive portfolio review of this segment. As a result, we have identified non-performing assets that are slated for divestments and monetisation, aiming to streamline our portfolio, optimising resource allocation and enhance overall financial performance. In line with this, in October 2023, we have

Response (Cont'd)

signed an agreement to dispose of our majority stake in Nusajaya Lifestyle Sdn Bhd, the entity that owns the Mall of Medini, to our joint venture partner, Iskandar Harta Holdings Sdn Bhd ("IHH"), leveraging on its strength to enhance the value proposition of the mall, aligning with IHH's other promotional activities in the Medini region. Additional announcements under this portfolio streamlining initiative will be made as and when required.

(c) Key assets such as Publika, Hyatt House, Anjung Mall and PHIFT are expected to improve in FY2024, as occupancy rates and rental incomes are currently trending positively.

As part of the asset monetisation and portfolio enhancement strategy, a thorough assessment of the Puteri Harbour masterplan is currently ongoing, to strategically enhance the appeal and value proposition of the asset, especially considering the influx of tourists and commercial activities in the Iskandar Malaysia region. The review encompasses evaluation of various aspects, not limiting to infrastructure, amenities, as well as focusing on a strategic repositioning plan for Marina Walk.

Furthermore, we are actively looking to divest several non-performing PIAHO assets in Mont'Kiara as part of our strategic portfolio streamlining initiative. We believe that these initiatives will bolster our financial position, while allowing us to redirect resources towards key growth segments such as Property Development and Industrial.

Question 4

In 2023, the Group acquired 9.9 acres land in Section 13, Petaling Jaya into a mixed-use development with residential towers. (Page 93 of IAR).

(a) What is the acquisition price of the 9.9 acres freehold land in Petaling Jaya?
(b) How is the acquisition price of the land arrived at?
(c) How would the Group fund the acquisition of the land? If it is by borrowings, what is the amount of funding required and what will be the expected impact on the Group's gearing ratio arising from the acquisition of the land?

Response

(a) The 9.9 acres of land in Section 13, Petaling Jaya was acquired in 2021 for RM200.0 million, which is slated to be launched next year as a mixed-used development.

On 6 June 2023, the Group had also acquired a parcel of freehold land, amounting to 9.1 acres in SS6 Kelana Jaya for RM155.0 million as part of our strategic expansion in the Central region.

(b) The acquisition price of the land was arrived at willing-buyer-willing-seller basis, after taking into consideration of the detailed feasibility study and market value assessment by a reputable, independent market valuer.

(c) The acquisitions of the lands in SS6 Kelana Jaya and in Section 13, Petaling Jaya were primarily funded via internal funds raised from the disposals of our non-strategic lands and non-core assets as part of our overall portfolio rebalancing under the Triage phase of our TSS (Triage, Stabilise and Sustain) strategic turnaround plan.

Question 5

The Group's overseas property projects in Australia used to be in Melbourne. The Group is now expanding into Perth, a Tier-2 city of Australia.

(a) Did the Group consider property development in Sydney, a cosmopolitan city and a Tier-1 city in Australia? If not, why not?

(b) Does the Group have any plans to expand into New Zealand, a country nearer to Australia? If not, why not?

Response

(a) The property market in Perth has continued to outperform the other key capital cities in Australia with notable increase in total sales value, reaching an impressive $34.8 billion, represents 1.7% growth compared to 2022. Furthermore, Perth rental properties have the highest yields among major Australian cities, with the median house recorded a gross yield of 4.4%, while apartments return 6.2% of gross yield, backed by strong population growth, a lower value and cost base as well as strong local economy.

We are optimistic with Perth's future growth, capitalising on its steady momentum and potential returns. Meanwhile, we are constantly on the lookout for expansion opportunities into other capital cities to strengthen our presence in Australia.

(b) Our immediate focus and priority is to strengthen and grow our business in Australia. Opportunities in other countries will be assessed on a case-by-case basis.

– Sustainability Matters

Question 1

On the sustainable front, the Group is targeting Carbon Neutrality target 2050. (Page 31 of IAR)

The Company has a clear plan to kickstart its Carbon Neutrality journey by building a low-carbon future by 2030.

By 2030, UEM Sunrise targets a significant 20% reduction across key environmental indicators, carbon emissions, energy consumption and waste generation.

(a) Is the 20% reduction target on carbon emissions, energy consumption and waste generation by 2030 realistic for the Company to achieve Carbon Neutrality by 2050? Please explain.
(b) What were the challenges the Group has encountered while trying to implement a low-carbon future by 2030?

Response

(a) We remain optimistic about our target i.e. 20% reduction on carbon emissions, energy consumption and waste generation by 2030 and eventually to achieve carbon neutrality by 2050. This year, we are focusing on scouting for initiatives that can contribute towards reducing our electricity and fuel consumption as well as waste generation.

We are in the process of developing a comprehensive GHG emission reduction plan which involves breaking down the targets into several milestones. Currently, we are exploring various potential reduction projects, one of which includes assessing the feasibility of installing rooftop photovoltaic systems at our commercial buildings in the Central and Southern regions. Our initial focus will be on The Beat @ Kiara Bay commercial areas, including 21 retail lots, Village Grocer standalone building and the sales gallery.

Implementing this reduction plan will enable us to gauge our progress and continually identify new reduction projects. This commitment aligns with our overarching goal of achieving Carbon Neutrality by 2050.

Response (Cont'd)

(b) We recognise that our Company is facing similar challenges with others, particularly concerning the pursuit of sustainability initiatives. The primary challenge evolves around costs and investments for implementing specific initiatives and developing robust data collection system, amongst others. The second challenge would stem from technology limitations hindering the support for a low-carbon future in this region. Embracing new technologies and innovation will be crucial for overcoming this hurdle and advancing towards our sustainability goals effectively.

– Corporate Governance Matters

Question 1

The Company reported 8 whistleblowing cases in FY 2023 as compared to 9 cases in FY 2022. (Page 125 of IAR)

(a) What is the nature of these 8 whistleblowing cases?
(b) Are there any merits in these 8 whistleblowing cases? If yes, please name them.
(c) What corrective actions the Company has taken on these 8 whistleblowing cases?

Response

(a) The eight whistleblowing disclosures pertained to operational and grievance matters.

(b) The eight whistleblowing disclosures reported in 2023 were objectively assessed and addressed according to the Company's Whistleblowing Procedures. Management has taken appropriate actions to address the concerns raised.

(c) Counselling sessions have been initiated to address grievance matters according to the Company's disciplinary procedure, while remedial actions have been taken to address operational matters, following the relevant procedures to ensure alignment with our corporate standards.

- end -