

# Chairman's LETTER TO SHAREHOLDERS

Dear Valued Shareholders,

I am pleased to share the start of UEM Sunrise's journey into integrated reporting with you, through this year's Annual Report. Following 2018's stellar performance, the Group continued to create value with a resilient performance in 2019.

We seek to maintain our track record in returning sustainable value to you, our shareholders, now and in the long run. This Report will highlight our plans towards achieving this, by showcasing our progress against strategy, while demonstrating our strong commitment to good corporate governance practices.

## NAVIGATING A CHALLENGING OPERATING ENVIRONMENT

The Malaysian economy recorded moderate growth in 2019 and expanded by 4.3%, compared to 4.7% in 2018, supported by resilient private sector spending. Growth on the global front expanded by 2.9% for the year under review, compared to 3.6% in 2018, amid unresolved trade tensions affecting manufacturing and investment activities. The oil price war which erupted between Saudi Arabia and Russia in the first quarter of 2020, alarmed the global market. This resulted in a series of outflow of funds from major equity markets, including Bursa Malaysia. COVID-19, which was a "foreign" setback, has now become critical in Malaysia and globally, with Bank Negara Malaysia projecting a GDP growth of between -2.0% and 0.5% in 2020. Meanwhile, the International Monetary Fund is expecting the global economy to contract sharply by 3% in 2020 – worse than during the 2008-2009 financial crisis. Assuming that the pandemic fades in the second half of 2020 and containment efforts gradually decrease, the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, assisted by policy support.



## CHAIRMAN'S LETTER TO SHAREHOLDERS

The Kuala Lumpur Property Index declined by 36% year-on-year as at 30 April 2020, reflecting the soft market sentiment caused by slower economic growth, amid the uncertainty of the current economic environment. The recent 2019 report by the National Property Information Centre (NAPIC) disclosed a marginal improvement in terms of property transaction volumes and values by 4.8% and 0.8%, respectively, compared to 2018. Volumes and values of overhanged residential properties also reduced by 5.1% and 5.2%, respectively in 2019 compared to 2018. The COVID-19 pandemic is dampening current economic growth, but the property market is expected to remain resilient as the government continues to focus on affordability and property overhang issues.

### DELIVERING VALUE TO OUR SHAREHOLDERS

Challenges notwithstanding, the UEM Sunrise group of companies (the Group) has delivered strong performance, with revenue up 42% to RM2.9 billion for the financial year ended 2019 (FY2019) compared to RM2.0 billion in the financial year ended 2018 (FY2018). The main contributor to this growth was the completion and settlement of Aurora Melbourne Central and Conservatory in Melbourne, Australia. This allowed for full settlement of both projects' financing facilities, improving our gross and net gearing to 0.46x and 0.32x, respectively. Overall sales remained respectable at RM1.1 billion, and this was subsequently replenished with new launches valued at RM1.2 billion in FY2019. Our inventory monetisation efforts have also proven to be successful, as we managed to reduce inventories by 21% in FY2019 compared to FY2018.

Divestment of non-strategic lands and assets, as well as land portfolio rebalancing, remains one of our key strategies. This strengthens our balance sheet, enabling us to effectively deploy our financial resources in areas most needed,



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*Mall of Medini is intended as a hive for community activities, art exhibitions, talks, workshops and events, having been designed with purpose-built spaces to host them*

including embarking on new ventures and opportunities, local and overseas, since at present, approximately 75% of our total landbank is in Johor. Moving forward, we will be expanding the use of digital technology and establishing strategic partnerships to generate future revenue streams.

### MOVING TO INTEGRATED REPORTING

Moving to integrated reporting was a conscious, collective and organic decision, given how we have grown over the years. Integrated reporting permits us to be more focused and transparent in reporting UEM Sunrise's activities as an organisation, and inspires us to think about the business in an integrated way.

**Challenges notwithstanding,  
the Group has delivered strong  
performance, with improved  
revenue and gearing and  
respectable sales**

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We are committed to ensuring our workers and the public remain safe throughout the construction duration of a development, with zero fatalities and no Lost Time Injury recorded at project sites in 2019.

To providers of financial capital, integrated reporting provides insights into our management decisions and shows how we allocate different capitals in achieving our strategic objectives, while considering risk and corporate governance matters. Guided by the principles of the International Integrated Reporting Council (IIRC) framework, the Group is committed to this journey as it also helps our stakeholders to better understand us.

### SUSTAINABILITY

We at UEM Sunrise are aware of the impact our activities have on the environment and the communities around us, and we seek to operate as a responsible brand. When required by authorities, we ensure comprehensive Environmental Impact Assessments (EIAs) are conducted prior to the commencement of any development and mitigating actions are taken as recommended in the EIAs. To further minimise our environmental footprint, our properties incorporate green features, such as naturally ventilated common areas, regenerative lifts, LED lighting and rainwater harvesting.



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*Residents at Aspira LakeHomes live in harmony with nature's most abundant element, water*

We continue to play our role in providing affordable housing, with our Rumah Mampu Biaya projects in Johor, Rumah SelangorKu in Bangi and Residensi Wilayah, formerly known as RUMAWIP, in Kuala Lumpur. As a good corporate citizen, we at UEM Sunrise regularly engage with the communities around us through community events in our retail spaces such as Publika and Mall of Medini, in addition to numerous other CSR programmes.

### GOVERNANCE

To further uphold good governance practices and cultivate integrity in UEM Sunrise's culture, we held our inaugural UEM Sunrise Integrity Day themed "Living with Integrity" in both Central and Southern regions for UEM Sunrise's Board and employees and business partners of the Group in December 2019.

With the participation and support of officers from the Malaysian Anti-Corruption Commission, the event officially recognised our Corruption-Free Pledge and featured a signing ceremony by Board members, Management, employees and business partners. This initiative reinforced the Corruption-Free Pledge that we undertook collectively with other UEM Group subsidiaries, alongside the Malaysian Anti-Corruption Commission, in December 2017, which saw us promise to be more vigilant in fighting corruption.

At the event, we launched UEM Sunrise's Integrity and Anti-Corruption Plan (Plan) that outlines the overall elements of the Group's integrity and anti-corruption initiatives, with measures implemented throughout 2019. We also launched a revised Code of Conduct and a brand new Code of Conduct for Business Partners to further strengthen our control measures.

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In line with the Prime Minister's directive and the expected enforcement of Section 17A of the MACC Act 2009 on 1 June 2020 for adequate procedures, the Integrity and Governance Unit was established in 2019, to drive the execution of the Group's integrity, governance and anti-corruption initiatives.

We at UEM Sunrise will continue to improve our governance practices going forward to enhance our robust governance framework. Our steadfast efforts in upholding the highest levels of governance were recognised when UEM Sunrise was named the winner of the Industry Excellence Award for Property category at the Minority Shareholder Watch Group (MSWG) – ASEAN Corporate Governance 2018 Awards ceremony held on 31 July 2019.

More details can be found in our Corporate Governance Overview Statement on page 88.

### OUTLOOK AND PROSPECTS

Growth is expected to experience a contraction, mainly due to the economic repercussions from the COVID-19 pandemic, the impact of which remains uncertain. Several measures have been imposed to curb the spread of the virus, but these measures are suppressing private sector consumption globally, as countries implement lockdowns and restrict travel and social activities. Various fiscal and monetary policy interventions have been introduced to cushion the impact of COVID-19, with the expectation that normalisation will return post-COVID-19.

In Malaysia, the Movement Control Order (MCO) from 18 March until 4 May 2020, followed by the conditional MCO until 9 June 2020, is important to curb the spread of the virus. However, it dampens the economy, as non-essential businesses are not allowed to operate, disrupting supply and distribution channels. Moreover, as Malaysia exports oil, the fall of crude oil prices to below USD30 per barrel indicates lower revenue for the Government and potentially lower GDP.

Nevertheless, we welcome the series of economic stimulus packages announced by the Government, aimed at providing relief to businesses and households. Allocations for the public are anticipated to stimulate economic growth and private consumption. We are positive about these steps and hope that the situation will improve towards the end of the year.

At UEM Sunrise, we continue to focus on delivering our projects through digital platforms and online channels, ensuring that communications and promotions are sensitive and relevant to the current environment. We applaud the measures introduced by the Government that help address households' costs of living. For buyers with leverage, this could be a timely opportunity to invest in properties. However, we realise that making property purchases is unlikely to be a priority at present. Although we have plans in place, the impact of the COVID-19 pandemic remains uncertain. Coupled with the MCO and the recovery period thereafter, we foresee a tough and challenging 2020. We are cautious about the outlook as the impact of the current market scenario unfolds. Rest assured, we are doing our best to protect the interests of all our stakeholders.

### APPRECIATION

UEM Sunrise's achievements have been made possible with the support and contribution of all our stakeholders. Thank you for the collaborations and for believing in our ability to deliver results. I am also appreciative of the Board of Directors, whose counsel and diligence in maintaining the highest level of governance pushes us to greater heights; our senior leadership team, who continues to lead with integrity and foresight; and all our dedicated employees, the Titans, who help us to achieve our shared goals.

**TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA**  
CHAIRMAN

**As an organisation, we have zero tolerance for corruption and unprincipled behaviour. We believe that prosperity and growth can be obtained without the spectre of misdeeds. We move forward and prosper as one, by only doing things the principled way – the right way**