

## CHAIRMAN'S LETTER TO SHAREHOLDERS

# NAVIGATING THROUGH

Chairman's Letter to Shareholders

**Dato' Noorazman** ✓

**Abd Aziz**

Chairman

*Dear Valued Shareholders,*

—

**This marks my first Annual Statement as your Chairman. While the COVID-19 pandemic presented the property market with some of its biggest challenges to date, UEM Sunrise and its subsidiaries (the Group) remained resilient, as reflected by the Group's performance in 2020.**

Despite the many challenges we faced last year, undoubtedly brought on by the introduction of the various phases of the Movement Control Order (MCO) which resulted in limited business activities, UEM Sunrise has remained steadfast in returning sustainable value to our shareholders and customers.

This Report will highlight a demonstration of our spirit in facing challenges, our progress against strategies, and our undeterred determination in the pursuit of good corporate governance practices.

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### NAVIGATING THE IMPACT OF COVID-19 AND CHALLENGING 2020

It was a tumultuous period for Malaysia and the world as 2020 fell under the pall of COVID-19. The Malaysian economy recorded growth of -5.6%, compared to 4.3% in 2019, which was lower than Bank Negara Malaysia's (BNM) revised Gross Domestic Product (GDP) growth forecast of -3.5 to -5.5% for the year in review. According to the World Bank, the global economy contracted by 4.3% in 2020, compared to 2.3% in 2019, with Brent crude oil prices experiencing a particularly divisive year, beginning with the price war between Saudi Arabia and Russia in March, which was exacerbated by the pandemic.

# CHALLENGING TIMES



- In hopes of reinvigorating the economy, the government also introduced five fiscal stimulus packages Prihatin, Prihatin SME+, Penjana, Kita Prihatin and Permai,

worth

**RM322.5**  
billion

- World Bank forecasted a global **GDP growth of 4.0% in 2021** and moderate to 3.8% in 2022.

- The Malaysian economy recorded growth of -5.6%, compared to 4.3% in 2019

**in contrast to BNM's revised GDP growth forecast of**

**-3.5 to -5.5%**

for the year in review.

Malaysia went into MCO lockdown for the first time on 18 March 2020. As the number of infections dropped, restrictions were also eased. However, further outbreaks led to the re-introduction of various phases of the MCO by the Malaysian government throughout the year.

The move effectively nullified recoveries gained and had an adverse impact across industries. The construction sector saw a -19.4% growth in 2020 - the lowest among all sectors. In hopes of reinvigorating the economy, the government introduced five fiscal stimulus packages Prihatin, Prihatin SME+, Penjana, Kita Prihatin and Permai, with a combined worth of RM322.5 billion.

For the year in review, the Bursa Malaysia Property Index declined by 11.5% from 829.9 points in January 2020 to 734.7 points in December 2020, mirroring the soft market sentiments amid the lingering uncertainty looming over the economic environment. According to the National Property Information Centre's (NAPIC) Malaysia Property Market Report 2020, the property market performance recorded a significant decline in 2020 compared to 2019 with 295,968 transactions worth RM119.1 billion transacted in 2020, a decline by 9.9% in volume and 15.8% in value compared to 2019. There was a slight improvement in the number of overhung properties; down by 3.6% in volume compared to 2019, but in terms of value, there was a slight increase by 0.5%. New property launches were lesser as developers adopted a cautious stance in view of the challenging market environment. With the property market set to endure a challenging 2021, we expect to remain resilient and continue to monitor our operational and marketing activities in the months ahead.

### CONTINUING TO DRIVE OUR SUSTAINABILITY AGENDA

At UEM Sunrise, we take great pride in integrating ESG aspects into our business and operations. We are continuously finding ways to manage the impact of our activities on the environment, maximise energy efficiency at each stage of a building's life cycle, and at the same time remain committed to the economic and social advancement of our local communities.

In terms of sustainable homes, UEM Sunrise began embedding sustainable features in our developments since 2010 with 'green building' Imperia in Puteri Harbour and 28 Mont'Kiara while our Symphony Hills development adopted rainwater harvesting. Aspira Gardens is located on a 12.9-acre freehold land in Gerbang Nusajaya, Iskandar Puteri and was launched in late 2019. It features sustainable designs that aim to reduce the carbon footprint of residents with the availability of SolarReady Homes, solar street lighting and rainwater harvesting for its semi-detached houses. On top of that, in 2020, five of our projects achieved Green Building certifications, including the newly-launched Residensi Allevia in Mont'Kiara and KAIA Heights in Equine Park. We are also targeting a GreenRE certification for Solaris Parq (Plot B) in 2021. The project is currently at the planning and development stage.

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On the social front, we embarked on the Highly Immersive Programme (H.I.P.), a speech and drama club workshop designed by Enfiniti Academy, with three of our PINTAR adopted schools to boost the confidence of students to speak and express themselves in English. A program spearheaded by Khazanah Nasional Berhad, PINTAR stands for Promoting Intelligence, Nurturing Talent, and Advocating Responsibility. In addition, we also organised weekly Publika Singer Songwriters' events providing avenues for aspiring musicians whose livelihoods were affected by the pandemic to busk. The performances were also live-streamed on Publika's Facebook Page. Besides that, several physical and virtual events for adults and children were conducted at our UEM Sunrise Fun Zone Community Centre. These included the virtual Malaysia Prihatin UEM Sunrise Cares Drawing Contest in conjunction with Merdeka Day and an event at Stellar International School in Almäs, Puteri Harbour, highlighting the importance of physical distancing in the new normal. Our latest initiative in April 2021 was in support of World Earth Day, an event celebrated around the world to pledge support for environmental protection. Further details on our ESG related initiatives are detailed in page 12 of this Report.

### CONTINUOUS PURSUIT OF GOOD GOVERNANCE AND LIVING WITH INTEGRITY

The Board remains committed to achieving high standards of corporate governance as we continue to demonstrate our ethics and integrity in upholding the trust of UEM Sunrise and the Group's investors and stakeholders.

Together, the Board and Management are dedicated to the pursuit of good corporate governance through continuous development, improvement, and strengthening of our governance processes, aligned with our best practices and approach in prioritising transparent disclosure. At the same time, the Board will continue to exemplify effective leadership and cultivate high ethical and robust corporate governance standards within the boardroom and throughout the Group to ensure that our employees fully understand and appreciate the value of good governance.



Aspira Gardens, sits on

**12.9**

acres of land in Gerbang Nusajaya

Cash Balances including short-term investments of

**RM1.3 billion**

Gross and Net gearings of

**0.59x and 0.40x**

The Group recorded

**RM1.1 billion**

in total sales

The Company's Corporate Governance Model, approved by the Board, embeds best practices within the Company and the Group. The five Committees and a Board Sub-committee established by the Board play a vital role in this regard. The Committees contribute to key areas such as financial review, procurement and development matters, internal controls and risk management, governance, as well as human capital management.

Furthermore, in illustrating our commitment towards Living with Integrity, UEM Sunrise developed an Integrity and Anti-Corruption Plan outlining the overall elements of the Company's integrity and anti-corruption initiatives with several measures implemented throughout 2020. These initiatives were in line with the Prime Minister's directive and the enforcement of Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment 2018) on adequate procedures, effective 1 June 2020.

The Board also approved the Company's Anti-Corruption Guidelines in March 2020. In line with the MACC's published Guidelines



on Adequate Procedures, the Company conducted a comprehensive Corruption Risk Assessment to identify, analyse, assess and prioritise the inbound and outbound corruption risks of the Group.

Committed in our undeterred pursuit of good governance, we will continue to seek opportunities to strengthen our governance structure and improve our governance practices and empower its adoption throughout the Company, as evidenced via the awareness sessions involving the Board, employees and business partners in December 2019 in conjunction with International Anti-Corruption Day. Our complete Corporate Governance Overview Statement can be found on page 86.

On a separate note, we received a proposal from UEM Group Berhad detailing a proposed merger between UEM Sunrise and Eco World Development Group Berhad (ECW) to transform the Company into a larger group via an exchange of shares and warrants where ECW will subsequently be de-listed from Bursa Malaysia. The Board on 30 December 2020 agreed to explore and further negotiate the merger with plans to conduct due diligence to validate the potential value of the proposal, given its size and complexity. However, on 13 January 2021, both UEM Sunrise and ECW collectively decided not to pursue further discussions on the proposed merger.

### INTRODUCTION OF UEMS 2025

In May 2020, the Board commissioned and approved UEMS 2025, the five-year strategy to transform UEM Sunrise into a balanced real estate company with sustainable returns. Central to the roll-out of UEMS 2025 has been the setting up of a Performance Delivery Unit (PDU) and the formation of eight key areas of interest – property; international growth; retail plus; portfolio re-balancing; new business; people DNA; best-in-class operations; and go-digital.

### OUTLOOK FOR THE YEAR AHEAD

The outlook for 2021 generally remains more positive, with recovery expected in the second half of the year. With vaccine rollouts underway, in addition to the easing of containment measures and implementation of policy support in a few of the larger global economies, consumer demand and GDP is expected to return to positive growth. In Malaysia, this is evidenced by BNM’s projection of Malaysia’s GDP growth in 2021 to be between 6.0% and 7.5%, supported by stronger external demand and higher private and public expenditure.

However, lingering caution remains with high uncertainty surrounding the progress and success of the National Immunisation Programme, the possibility of a rise in infections, and the continuation of the MCO, as well as political instability following amped-up talks of impending elections. The rising number of business insolvencies resulting in loss of income and rising unemployment rates could also give way to more cautious consumer spending. In 2020, Malaysia’s unemployment rate was at an all-time high of 4.5%.

In a view of the prevailing economic and challenging market condition, UEM Sunrise welcomed the Malaysian government’s decision to re-introduce the Home Ownership Campaign first introduced in 2019, from 30 June 2020 to 31 May 2021 (2020 HOC). As part of the third phase of the Economic Recovery Plan or PENJANA, the intention behind the 2020 HOC was to boost the economy during the pandemic, counting on its incentives and the current low interest rate environment to help spur demand and encourage buyers to purchase properties.

At the same time, the Company will continue to leverage on digital capabilities to supplement more robust consumer engagements and offer attainable homes that meet the needs and wants of the buyers, complemented with better financing options and flexible opportunities to rent as a prelude to ownership.

Rest assured, our goals remain unchanged as we continue to pursue our strategic growth in line with UEMS 2025 and cement our position as one of Malaysia’s leading property developers.

### APPRECIATION

In times like these, resilience truly shines through. Despite the challenges that came our way, the positive outcomes we achieved this year was a demonstration of the support and contribution shown by all our stakeholders. My sincere thanks and gratitude to the Board of Directors, whose counsel and diligence helped us weather through the storm, as well as our senior leadership team, who continues to lead with integrity and foresight. I would also like to single out our employees, our CHIEF Happiness Officers, for their effort and dedication to their work. Thank you for your faith and unwavering commitment to achieving our shared goals and aspirations.

**Dato’ Noorazman Abd Aziz**  
Chairman

For more information, please refer to Our Value Creation Model on 66 to 67.