

## CHAIRMAN'S LETTER

Dear Stakeholders,

It is a privilege for me to be addressing you for the first time since assuming the role of Chairman of the Board in July 2023. Before anything else, I would like to take the opportunity to thank Dato' Noorazman Abd Aziz, my predecessor in this role, and Encik Effizal Faiz Zulkifly who resigned as Non-Independent Non-Executive Director, for all their contributions to UEM Sunrise.

I would like to extend a warm welcome to Mr. Reagan Chan Chung Cheng as a Non-Independent Non-Executive Director, and Dato' Sr. Azmar Talib as Independent Non-Executive Director, for being part of our reputable Board.

As we move forward, I would like to begin by taking a somewhat different approach to the Chairman's message. While the message is typically intended to give shareholders a general overview of the company's performance in the past year, as well as highlight some achievements and challenges, I would like to go down a path less travelled. I would like to give a more holistic perspective to all shareholders – majority or minority – on the current context in which UEM Sunrise stands, and the most material issues that we presently face.

### THE PRESENT DAY CONTEXT

To get to the present day, we should also understand where we came from. UEM Sunrise was born out of the merger of UEM Land – which itself was born out of the aftereffects of the Asian Financial Crisis – and Sunrise, which were known for township developments and high-rise projects respectively. The intention was to build on the Sunrise brand and expertise in developing high-rise buildings to unlock the value from UEM Land's massive landbank in Iskandar Malaysia, Johor. The merger created Malaysia's largest property company with more than RM5 billion in assets, and a market capitalisation of approximately RM10.5 billion. UEM Sunrise was, of course, backed by Khazanah Nasional, Malaysia's sovereign fund. The future was bright, and indeed, in 2013, we hit our highest ever market capitalisation at RM15.9 billion.

Fast forward about a decade or so after our market capitalisation peaked in May 2013, we have yet to fulfil our potential as a company. When I came into the role as Chairman, our market capitalisation stood at RM1.4 billion (RM0.27 per share). We have seen some improvements since then, with the market capitalisation at RM5.9 billion (approximately RM1.16 per share) as at 22 March 2024. Yet, this figure still trails our book value and our Real Net Asset Value. Furthermore, over the past decade, this industry has faced multiple headwinds from various market conditions. This is true of property developers generally and is also true of UEM Sunrise. Our Return on Equity (ROE) has languished in the low single digits, between 2% and 4% from 2015 to 2019, and since 2020 to present, ROE has been even lower. In addition, as we have come to realise, the 2011 merger is one of scope – combining UEM Land's massive landbank in Iskandar Malaysia with Sunrise's expertise in high rise – not necessarily scale; what merger integration synergies have we realised from the different skillsets in township developments and high-rise projects?

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Aerial view of Gerbang Nusajaya, Iskandar Puteri

### HOW WE MOVE FORWARD

With all that said, we should be very clear about something. We are, still, ultimately a large company, with approximately RM13.0 billion in assets, supported by RM6.8 billion in shareholders' equity. And we should all remain steadfast in our commitment to help UEM Sunrise achieve its potential. Of course, we should not be blind to challenges we face. And on that front, there are four questions that we need to collectively address.

**Q1** First, as I mentioned, we are majority held by Khazanah Nasional, a Government-Linked Investment Company (GLIC), which therefore makes us a Government-Linked Company (GLC). Is this a boon or a bane for UEM Sunrise? On the one hand, being backed by a national sovereign fund may seem like a good thing on the surface, but it also has the risk, on the other hand, of inducing complacency as we believe the sovereign fund will intervene to hand things to us on a silver platter, among others. The reality is that we compete in an extremely competitive market just like anyone else, without favouritism just because we are owned by Khazanah Nasional; does this so-called "GLC effect" impede our ability to achieve our potential? To be fair, this is not an "either/or", but a "both/and" situation where being owned by a GLIC and delivering superior performance are not incompatible in a competitive industry. How do we balance the pros and cons of being a GLC?

**Q2** Secondly, property development is not a natural monopoly. We are in a seriously competitive industry with fierce competitors. In such an industry, it is worth wondering whether we have the right culture that can help us succeed. We have a good landbank, balance sheet capacity, strong connections, and with a sovereign fund as our main shareholder, why was our potential not achieved? We need to understand if there are cultural mismatches between who we are and who we need to be. The Board and management need to crack this issue.

**Q3** Thirdly, if we properly address the GLC question, and the culture question, we still remain mired in a highly competitive industry. In this industry, what does success really hinge on? We have many competitors, there are many types of housing segments, and there is the issue of oversupply.

Surviving in such challenging industry dynamics requires a company to serve a focused segment of the market. Imagine trying to appeal to all the customers in such a competitive industry that we can help everyone "Find Your Happy". The existential question we must ask ourselves is "which people can we help to "Find Your Happy"" so that our value proposition as a property company is clear and focused?

**Q4** Finally, in answering that question, we must ask ourselves a fourth question. What unique competitive edge does UEM Sunrise possess? It is probably true that being the 'least cost producer' is not our strong suit, nor am I even sure that it should be. Therefore, what distinct competitive advantage do we have that can help us create and capture greater value from our customers, suppliers, competitors, substitutes and new entrants? We cannot pay lip service; true competitive advantage will manifest itself in our performance and results.

It is my hope and intention that we undertake a candid assessment of these issues, so that we may move forward as best as we can. There is no time to waste and we must rise to the challenge of turning things around to fulfill our potential. I am giving myself and the Board a maximum of three years to really improve the fundamentals of this company. We are at a juncture where we must navigate complex choices, ensuring every possible solution is thoughtfully considered.

#### FINDING THAT SILVER LINING

As we focus our efforts on righting the ship – we must also continue looking ahead to new horizons. This is where perhaps there is some irony in the situation, as what some parties view to be a legacy issue, may be the key contributor to our future prospects. I am referring to our massive landbank in Johor, to which I believe much of our fortunes will be tied to going forward.

In 2022, Johor led the nation with foreign direct investments amounting to RM70.6 billion, clearly indicative of the momentum of the state. My optimism is predicated on the uptick in sentiment within Johor following positive developments surrounding the improvement of connectivity and favourable policy announcements. Given our status as the master developer of Iskandar Puteri and possession of large tracts of land in Johor, UEM Sunrise has tremendous opportunity to benefit from these developments, which include:

Completion of the Johor Bahru – Singapore Rapid Transit System (RTS) link by 2026 promises to significantly bolster cross-border access, enhancing the appeal of our developments.

The electrification and double-tracking of the Gemas – Johor Bahru KTM line is expected to enhance both freight and passenger connectivity throughout Johor, improving access to our properties.

A proposed LRT network in Johor Bahru, covering strategic areas, would directly connect our landbank to critical infrastructure, including the Senai International Airport and the RTS link, amplifying our competitive edge.

Our prime positioning in Gerbang Nusajaya, strategically located between Senai International Airport and the Port of Tanjung Pelepas, boosts our industrial appeal, further supported by access to Johor Port and Tanjung Langsat Port.

In terms of policy-driven market opportunities, we stand to benefit from the establishment of the Johor – Singapore Special Economic Zone which may have a transformative effect on goods and people movement, enhancing the Iskandar Malaysia ecosystem. Together with the New Industrial Masterplan 2030, this has ignited interest in Johor's industrial sector. The relaxation of the Malaysia My Second Home programme requirements in December 2023 is also anticipated to drive demand for high-end residential properties in the area.

While these connectivity and policy enhancements will provide a strong pool of opportunities for value capture, we must also recognise that it is important that we contribute something of value, because that is at the heart of why we exist as a company. Our actions going forward must be accompanied with an incredible amount of urgency, we are not only positioning ourselves for short-term gains but setting the stage for long-term growth and value creation.

In closing, I would like to issue a call to action to my fellow Board members, the management team, our employees and even our major shareholders to not rest until UEM Sunrise is back in the good books of investors. I would urge everyone to take it as a personal challenge to make things right and to realise the ambitions of the merger that started this whole journey in the first place.

**DATUK HISHAM HAMDAN**  
Chairman