

# 02

## MANAGEMENT DISCUSSION & ANALYSIS



**ANWAR SYAHRIN  
ABDUL AJIB**  
Managing Director/  
Chief Executive Officer

**We continue to strengthen our resilience against the backdrop of the current challenging property market environment by improving the efficiency of our operations and prioritising cost controls to improve our margins.**

UEM Sunrise delivered an improvement in our financial results, driven by disciplined operational performance and placing customers at the heart of our business. We have achieved sales of more than RM1.4 billion, surpassing our RM1.2 billion target, with 30% contributed from the sale of completed properties following our efforts to monetise inventories through our successful marketing campaigns. We launched RM907.9 million worth of new products in Malaysia, and completed our first two developments in Melbourne, Australia; Aurora Melbourne Central and Conservatory.

We continue to strengthen our resilience against the backdrop of the current challenging property market environment by improving the efficiency of our operations and prioritising cost controls to improve our margins. Through the execution of our priorities, we aim to deliver sustainable shareholder value, building the Company's profitability and making a positive impact in the communities in which we operate.

In UEM Sunrise, everyone carries the responsibility of doing the right thing for our customers and delivering customer satisfaction. Building on the strength of

our EVE (Exciting, bringing Value and Easy to own) philosophy, we seek to anticipate our customers' evolving needs and continue to improve the efficiency and quality of dealing with our customers. These are achieved through research, improvements in sales processes and investing in technology, from developments to our customer service systems. We recognise that our quest towards operational excellence and building sustainable communities of the future hinges on our ability to adapt, innovate and integrate digital technologies into our business.

### **CORPORATE ACHIEVEMENTS IN 2018**

#### **Awards**

At The Edge Property Excellence Awards, we finished strongly as a Top 10 Property Developer in Malaysia, rising from ninth to seventh place. We are one of the best property players in Malaysia based on quantitative attributes, quality and product innovation. The strength of our leadership was also underlined by our Managing Director/Chief Executive Officer ("MD/CEO") being conferred the Outstanding Property CEO Award 2018.



Please scan this QR code for more information on our Awards & Recognition

<https://uemsunrise.com/corporate/about/industry-recognition>

Achieved  
**RM 1.4 billion**  
 in sales

**30%**  
 of sales from  
 completed projects

We are also a Starproperty.my Awards 2018 All-Star Top Ranked Developer, achieving the Skyline Award for Residensi Solaris Parq, the Family-Friendly Award for Estuari Gardens in Puteri Harbour, the WOW Award (Most Iconic Development) Residential/Hybrid for Arcoris Mont'Kiara, and the Best Comprehensive Township award for Gerbang Nusajaya.

Our MD/CEO was named PropertyGuru Asia Property Awards 2018's Real Estate Personality of The Year, while Almās @Puteri Harbour was named Best Mix Use Development and Best Green Development (Highly Commended).

The above awards and other recognition we received in 2018 validate the thought, planning and commitment that go into every UEM Sunrise's development, motivating us to work harder to maintain our position as a leader in the industry.

### New Project Launches

We successfully launched five new projects with a total Gross Development Value ("GDV") of RM907.9 million in 2018.

In February, we introduced our RM139.0 million double-storey terrace homes in Serimbun, a landed mid-market residential

development in Iskandar Puteri. This was followed, in March, by Kondominium Kiara Kasih, a Residensi Wilayah development (formerly known as Rumah Wilayah Persekutuan or RUMAWIP) in Segambut, neighbouring Mont'Kiara, Kuala Lumpur.

Encouraged by the strong take-up of Residensi Solaris Parq in Dutamas, a premium product within the Mont'Kiara/Dutamas enclaves, we launched Residensi Astrea in Mont'Kiara in October. This unique premium high-rise condominium with a GDV of RM323.0 million offers wide frontage for the living and bedroom areas with green features interwoven throughout its 37 floors.

Also in October, we returned to the mid-market by launching Eugenia, the fifth instalment of Serene Heights, with a GDV of RM62.5 million, before closing the year with our first commercial development in Iskandar Puteri, 68° Avenue. Located opposite Phase 1 of the Southern Industrial and Logistics Clusters ("SILC"), 68° Avenue carries a GDV of RM167.7 million.

We then opened 2019 with more landed mid-market products; Aspira ParkHomes in Gerbang Nusajaya, Iskandar Puteri, carrying a GDV of RM101.8 million.

Response to these newly launched developments has been encouraging. Serimbun and Kondominium Kiara Kasih have attracted take-up rates of 73% and 97% respectively, while Residensi Astrea, Eugenia and 68° Avenue have take-ups within the range of 53% to 64%.



## Management Discussion & Analysis

**Property development activities accounted for 70% of our total revenue, an improvement of 3% from FY2017 with 46% contributed from international projects followed by 30% from the Southern region and 24% Central.**

### Sales Achieved

Property development sales stood at RM1,433.0 million, exceeding our RM1.2 billion target by 19%. About 54% of our sales was from the Central region, mainly developments in Mont’Kiara led by Residensi Solaris Parq, Kondominium Kiara Kasih and Residensi Astrea; while 32% was from the Southern region, headed by Serimbun, Estuari Gardens and 68° Avenue. The remaining 14% was from projects in Melbourne, particularly Mayfair on St. Kilda Road. As noted, 30% of our total property development sales was from completed properties, 37% from new project launches, and the remaining 33% was contributed from sales of ongoing developments. Despite our sales performance, we remain pragmatic and target to achieve sales of RM1.2 billion in 2019 while launching RM1.2 billion worth of new projects.

### Financial Position

Having adopted the Malaysian Financial Reporting Standards (“MFRS”) framework effective 1 January 2018, we no longer recognise revenue for our international projects based on progress completion but upon completion and settlement. The financials reported in the financial year ended 2017 (“FY2017”) have been re-stated in compliance with the MFRS for comparison purposes with our 2018 financial numbers.

Total revenue recorded for 2018 increased to RM2,044.0 million compared to RM1,860.6 million in



Kondominium Kiara Kasih, Kuala Lumpur

FY2017, driven by the recognition of ongoing local developments, completion and partial settlement of Aurora Melbourne Central and Conservatory, as well as non-strategic asset divestment (disposal of non-strategic lands). Profit after tax and non-controlling interests (“PATANCI”) increased by approximately 166% to RM280.3 million from RM105.6 million in FY2017 on the back of strong revenue growth, development cost savings and contribution from non-strategic asset divestment.

Property development activities accounted for 70% of our total revenue, an improvement of 3% from FY2017 with 46% contributed from international projects followed by 30% from the Southern region and 24% Central. The largest contributor was Conservatory followed by Aurora Melbourne Central and Almãs. In line with our land portfolio rebalancing strategy, UEM Sunrise has also recognised a total of RM457.4 million from the disposal of non-strategic lands.

Unbilled sales as at 31 December 2018 stood at RM4.4 billion of which 68% was from international developments, followed by the Central and Southern regions at 22% and 10%, respectively.

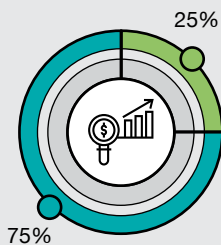
Other income improved by 32% to RM74.3 million from RM56.2 million in FY2017 due to higher interest income and foreign exchange gains, amongst others. The share of results from associate and joint venture companies improved by 15%, mainly from Nusajaya Tech Park Sdn. Bhd. and Sunrise MCL Sdn. Bhd..

**SNAPSHOT OF PERFORMANCE FOR THE FINANCIAL YEAR ENDED 2018**

**REVENUE**  
**RM 2,044.0 Million**

10% increase compared to FY2017

**Source of Revenue**

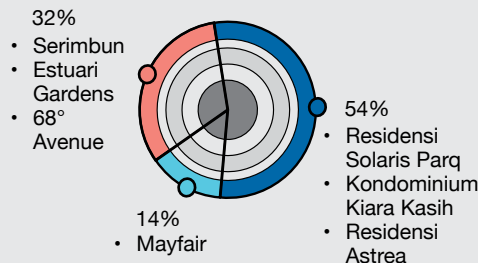


- 34% inventories.
- 16% ongoing projects.
- 43% international projects.
- 7% property investment, project. & asset/facilities management.

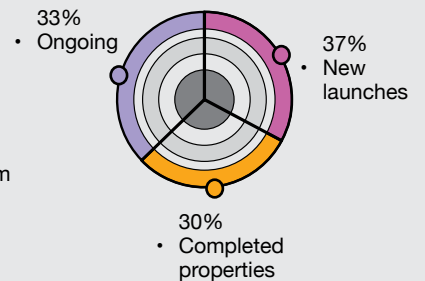
**SALES**  
**RM 1,433.0 Million**

- Exceeded sales target of RM1.2 bil by 19%.
- Mainly from Residensi Solaris Parq, Kondominium Kiara Kasih, Mayfair, Residensi Astrea, Symphony Hills and Serimbun.

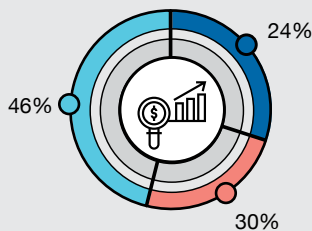
**Contribution by Region**



**Composition**



**Contribution by Region**  
 Property Development Revenue

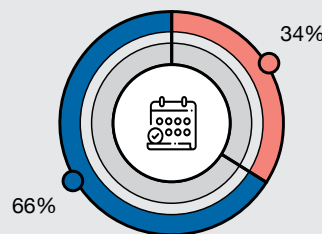


- **Southern** mainly Almãs, Estuari Gardens and Denai Nusantara.
- **Central** mainly Symphony Hills, Residensi Sefina and Serene Heights.
- **International** mainly Aurora Melbourne Central and Conservatory.

**Unbilled Sales**  
**RM 4.4 billion**  
 As at 31 December 2018



**LAUNCHED GDV**  
**RM 907.9 Million**  
 Close to target of RM1 billion



**GROSS GEARING**  
**0.66x**  
 As at 31 December 2018

**PATANCI**  
**RM 280.3 Million**

- Southern
- Central
- International
- Property Development & Others
- Land sales

# Management Discussion & Analysis



The interior of Aurora Melbourne Central – Australia

## FINANCIAL PERFORMANCE

Indicator	FY2018 (RM mil)	FY2017* (RM mil)
Revenue	2,044.0	1,860.6
Cost of Sales	(1,302.7)	(1,317.5)
Operating Expenses	(339.6)	(350.1)
Other Income	74.3	56.2
Operating Profit	476.0	249.2
Finance Costs	(101.0)	(91.2)
Share of Results of Associates & JV	41.4	36.1
Profit Before Zakat and Income Tax	416.4	194.1
PATANCI	280.3	105.6
ROE	4.0%	1.5%

\* Restated based on the MFRS framework

## Borrowings at Manageable Level

Borrowings increased from RM4.2 billion to RM4.7 billion in view of the drawdown for the Australian projects although there has been a reduction in local borrowings. Our gearing, which stood at 0.66x as at end 2018, is expected to decrease towards the end of 2019 upon the completion and settlement of Aurora Melbourne Central and Conservatory. We will continue to consolidate our cash through our asset divestment strategy where we identify non-strategic lands and assets for disposal as a means to raise funds. In 2018, we achieved RM457.4 million mainly from the disposal of non-strategic lands to Country View Berhad and Kimlun Corporation Berhad whilst earmarking another divestment of RM300.0 million in 2019.

In relation to our *SUKUK*, Malaysian Rating Corporation Berhad (“MARC”) has reaffirmed our rating of MARC-1s/AA-Is on two of our Islamic Commercial Papers and Islamic Medium-Term Notes programmes ICP/IMTN-1 and ICP/IMTN-2 with a stable outlook rating. The ICP/IMTN programme each has a programme limit of RM2.0 billion with a sublimit of RM500.0 million on the ICP issuances.

We issued RM700.0 million under the 2016 IMTN programme in October 2018. The RM700.0 million IMTN have tenures of three, five and seven years and will mature in 2021, 2023 and 2025, respectively. The proceeds were utilised to redeem the outstanding IMTN of the same value issued under the 2012 RM2.0 billion IMTN programme.

## Delivering Customer Satisfaction

We place customers at the heart of everything we do, with their satisfaction being one of the indicators of our success. To ensure we maintain a consistently high customer experience, we engage an independent consultant to conduct an annual Customer Satisfaction Survey.

In 2018, close to 1,300 customers across our projects in the Central and Southern regions responded to the survey. We scored 79% (77% in 2017) in the perception category and 77% (75% in 2017) for overall performance. We also took the opportunity to gauge their awareness of the UEM Sunrise brand and were pleased to achieve a double-digit score compared to a single digit in 2017, indicating that our brand awareness efforts have been effective.

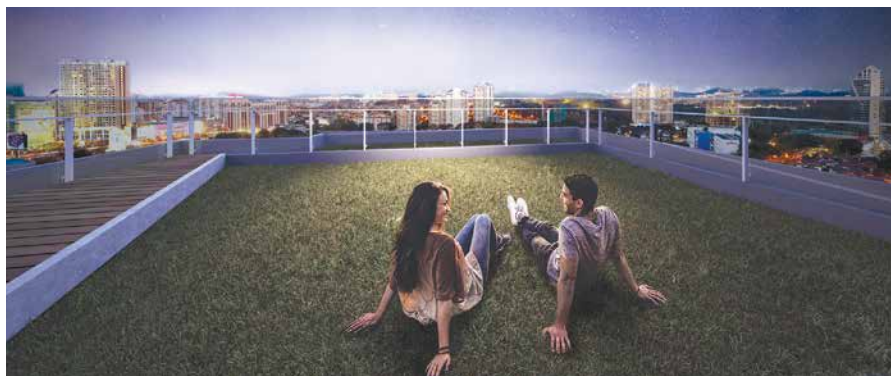
## STATUS OF DEVELOPMENTS

### CENTRAL

Approximately 5% of our developable landbank (665 acres) is located in the Central region which comprises Kuala Lumpur, Selangor and Seremban. The remaining GDV of ongoing projects (phases yet to be launched) stands at RM7.9 billion. This consists mainly of projects such as Serene Heights, Solaris Parq, Radia Bukit Jelutong (50:50 joint venture with Sime Darby Property Berhad) and Seremban Forest Heights (50:50 joint venture with MCL Land Ltd). The total estimated GDV from potential pipeline projects is RM18.4 billion mainly from a new development we plan to launch in Kepong.

Launches in 2018:

**Kondominium Kiara Kasih** in Segambut, facing the North-South Expressway and overlooking the Jalan Duta toll. The 40-storey residential development with a GDV of RM215.7 million was launched in March and has a take-up to date of 97%. The development comprises 719 apartment units, each with a built-up of 850 square feet selling at RM300,000. It also features condominium facilities, a multipurpose hall, swimming and wading pools, an observation deck and garden. Completion is slated for 2022.



Residensi Astrea, Mont'Kiara

**Residensi Astrea** in Mont'Kiara, launched in October. The 37-storey high-rise premium apartment features 240 units with built-ups ranging from 1,364 to 1,859 square feet priced from RM1.2 million per unit. Carrying a total GDV of RM323.0 million, the development is targeted for completion in 2023, and has a current take-up of 53%.

We also launched **Eugenia**, the fifth instalment of Serene Heights, in October 2018. The RM3.7 billion township development was first launched in June 2015 mainly for the mid-market segment. It offers landed double-storey terrace and semi-detached homes, bungalows, condominiums and commercial units. Eugenia, with a GDV of RM62.5 million, comprises 84 double-storey terrace homes priced from RM565,000 per unit. Its take-up to date stands at 61%.

Current key developments:

**Residensi Solaris Parq**, a 41-storey premier high-rise residential development located next to the iconic Masjid Wilayah in Mont'Kiara. It features 576 apartment units with built-ups ranging from 721 to 2,469 square feet priced from RM873,800 to RM2.9 million per unit. Launched in October 2017, the RM765.0 million project has achieved a take-up rate of 70% and is slated for completion in 2024.

**Residensi Sefina**, a low-density 35-storey residential development in Mont'Kiara. Launched in August 2015, the beach themed project with a GDV of RM307.0 million comprises 245 apartment units. So far, 98% of the units have been taken up; and we target to complete and deliver the entire project this year.

**Serene Heights' Acacia, Begonia, Camellia and Dahlia**. These projects carry a total GDV of RM396.5 million and have achieved a combined take-up of 98% to date.

We achieved total sales of RM776.8 million in the Central region in 2018. The year also saw the completion and handover of Acacia and Begonia, the first phases to be completed in Serene Heights.

### Exciting Pipeline in 2019

In April 2018, we acquired 72.7 acres of land in Kepong, Kuala Lumpur from Datuk Bandar Kuala Lumpur via a joint venture arrangement with a private developer, Mega Legacy Equity Sdn. Bhd. ("MLE"). The land is adjacent to the 235-acre Kepong Metropolitan Park near the Kuala Lumpur Middle Ring Road 2 ("MRR2"). UEM Sunrise will lead in the development of the land and transform it into a new high-rise integrated mixed residential and commercial township. The development will be modern contemporary lifestyle to attract a generation of young home owners who will inject fresh vigour into the community emulating the Mont'Kiara lifestyle with a touch of local Kepong attributes.

The development includes two interchanges connecting directly to the MRR2 with the first interchange to be completed within 18 months from the launch of the first phase; two towers of serviced apartments with a small portion dedicated to retail at an estimated GDV of RM640.0 million. We are also currently fine tuning the overall masterplan and target to unveil the overall development during the launch of the first phase in quarter four this year. The entire project carries an estimated GDV of RM15.0 billion featuring 11,000 units of serviced apartments, retail, commercial, and an office space on top of a hotel in addition to an educational and wellness component. The entire development is to be completed over a period of 15 years.

### New Business Opportunities

In December 2018, we unveiled UEM Sunrise's first hospitality service, the pioneering four-star Hyatt House Kuala Lumpur Mont'Kiara within the Arcoris development. The 299-room residentially inspired extended stay hotel is the first of its kind in Southeast Asia and was awarded the Most Valued Extended Stay Suites at the Malaysia Property Press Awards 2018. Going at an average daily rate of RM320 per night, interest has so far been overwhelming.

Another first was our foray into the workspace segment with the launch of WOTSO Workspace in Mercu Summer Suites, Kuala Lumpur. In June 2018, we formed a 50:50 joint venture with WOTSO S.E.A Pty. Ltd., a subsidiary of BlackWall Limited and Australia's largest collaborative workspace provider, to meet a growing need among entrepreneurs and SMEs in Malaysia and Singapore for cost effective co-working spaces. WOTSO Workspace in Mercu Summer Suites spans approximately 13,000 square feet and can accommodate about 240 members at any one time. Opened for business on 14 November 2018, WOTSO prides itself to be beyond sharing infrastructure and cost, but belonging to a community, accessibility and sustainability. Unlike the majority of co-working operators, WOTSO does not lock its clients into long term contracts. Instead, it gives flexibility with all offerings available by the day, week or month. Entrepreneurs interested in using the workspace need only pay a monthly membership fee of RM400 and RM50 for day passes.

## Management Discussion & Analysis



Aspira LakeHomes, Gerbang Nusajaya, Johor

### SOUTHERN

76% of our developable landbank (9,990 acres) is in the Southern region, with 49% or 6,379 acres in Iskandar Puteri and the remaining in Desaru, Kulai and Mersing, which have yet to be launched. The remaining GDV of ongoing projects in Iskandar Puteri stands at RM17.4 billion, mostly from East Ledang, Almās and Estuari Gardens in Puteri Harbour, Mall of Medini (55:45 joint venture with Iskandar Investment Berhad), Horizon Hills (50:50 joint venture with Gamuda Land Berhad), Emerald Bay (40:60 joint venture with Bandaraya Development Berhad), Aspira LakeHomes (formerly known as Melia Residences), Nusa Idaman and Nusa Bayu. The total estimated GDV from potential pipeline projects is RM70.2 billion, mainly from Gerbang Nusajaya, Fraser Metropolis, Kulai (60:40 joint development with KLK Land Sdn. Bhd.), Desaru (51:49 joint venture with Desaru Development Corporation Sdn. Bhd.'s subsidiaries), Residential South, Puteri Harbour (80:20 joint venture with Iskandar Coast Sdn. Bhd.), Serimbun Phase 2 and The Waves, Puteri Harbour (50:50 joint venture with United Malayan Land Bhd).

Iskandar Puteri is envisioned as a township for business, living and leisure. As master developer, UEM Sunrise is committed in executing the masterplan which entails the development of residential precincts, industrial hubs, commercial and retail developments as well as infrastructures whilst maintaining a substantial area as Iskandar Puteri's green lung. Its developments have been progressing well ever since its inception with the commencement and completion of several key projects including the operation of developments which are catalytic in nature. We have also dedicated a 71-acre Sireh Park (Phase 1) for Iskandar Puteri's residences bordering Nusa Idaman and Horizon Hills for leisure and trekking activities.

Launches in 2018 and early 2019:

**Serimbun**, launched in February 2018. A mid-market residential development featuring 215 units of double-storey terrace homes with a GDV of RM139.0 million. The 23.2-acre development is strategically located in a mature area near the Bukit Indah township, easily accessible via the Coastal Highway, Second Link Expressway and North South Expressway. Priced from RM525,000 per unit, 73% has been taken up to date. Completion is slated for 2021.

**68° Avenue**, a commercial development opposite SILC, launched in December 2018. It features 136 units of two to three-storey shop offices with built-ups ranging from 3,113 to 5,728 square feet. The project, with a GDV of RM167.7 million is priced from RM955,000 per unit and has attracted a take-up of 60%. It is to be completed in 2020.

**Aspira ParkHomes** in Gerbang Nusajaya, launched in January 2019. Phase 1 consists of 162 units of double-storey terrace homes with a GDV of RM101.8 million. In total, the development comprises 452 units of double-storey terrace homes with a total GDV of RM292.3 million. We also plan to launch Phase 1 of Aspira Gardens in Gerbang Nusajaya, another residential development with an estimated GDV of RM84.7 million, in the second half of this year. Aspira ParkHomes is slated for completion in 2021.

Key current developments:

**Estuari**, a lush enclave of exclusive homes sprawling across 394 acres in Puteri Harbour. The first phase, Estuari Gardens, comprising 350 double-storey superlink homes with built-ups ranging from 2,708 to 3,780 square feet, was launched in August 2015 and completed in August 2018. To date, the take-up of the RM656.8 million development is close to 50% while a total of 140 units have been delivered to the home owners. The entire development, with a GDV of RM3.4 billion, is slated for completion by 2025.

**Almās**, a high-rise mixed commercial-residential development in Puteri Harbour. It comprises two office blocks, a retail boulevard, two residential towers and one block of suites, carrying a total GDV of RM2.4 billion. The 34-storey residential Almās Suites was launched in January 2014. Comprising 544 suites and towering atop seven storeys of car park and a facility podium with a GDV of RM311.2 million, Almās Suites was completed in December 2018. Its take-up to date is 93%. We have also commenced works on Almās Retail, 220 units of 44 retail blocks comprising five-storeys adjacent to Almās Suites. With a GDV of RM268.9 million, Almās Retail is targeted to be completed towards the end of April 2019.

### We realise the need to rebalance our landbank portfolio and increase our presence in the Central region, where there is still a robust market for the right value propositions.

**Denai Nusantara**, our first Rumah Mampu Biaya Johor, an affordable high-rise residential development with a GDV of RM188.5 million. Launched in January 2016, the development comprises 1,109 units of three-bedroom apartments measuring 1,000 square feet each and 108 single-storey shop lots measuring 1,200 square feet each. Completion of the development in January 2019 was celebrated in a ceremony officiated by Johor's Chief Minister. As at mid-April 2019, approximately 600 units have been delivered with a take-up of 82%.

**Aspira LakeHomes**, comprising 625 units of double-storey terrace homes spread across 73.6 acres of land in Gerbang Nusajaya. Since April 2016, 366 units from Phases 1 to 3 have been launched with a take-up of 74%. Phases 1 and 2 are slated to be completed before year end followed by Phase 3 in 2020. The total development carries a GDV of RM541.3 million.

Sales achieved in the Southern region for 2018 stood at RM456.8 million. The year also saw the completion and handover of Estuari Gardens and Almás Suites. In January 2019, we delivered Denai Nusantara.

#### Catalytic Developments in Iskandar Puteri

Since becoming the master developer of Iskandar Puteri in early 2000, Iskandar Puteri has been one of our flagship developments. We see our role here as not only to design and manage a comprehensive masterplan that amalgamates world-class commercial, industrial, residential, sports, entertainment, hospitality, healthcare, educational and F&B facilities, but also to catalyse footfall through a range of exciting events and activities.

#### Puteri Harbour

Puteri Harbour is a 688-acre integrated urban waterfront development, fondly known as the crown jewel of Iskandar Puteri. It has previously won the FIABCI Best Master Plan award and was selected as Runner Up in the Best Master Plan category at the FIABCI International Prix d'Excellence. Today, it is being developed into a luxe marina resort complete with waterfront promenades, residences, fine-dining restaurants, hotels, cafes, indoor theme parks, retail outlets as well as yachting facilities. It offers convenient connectivity in the form of bus and shuttle services from Larkin, Johor Bahru to Puteri Harbour. In addition, ferries from the Puteri Harbour International Ferry Terminal ply to and from Batam and Tanjung Balai, Indonesia with plans to expand to Singapore, enhancing Puteri Harbour as a tourist destination and lifestyle hub.

We have yet to maximise the full potential of Puteri Harbour as a destination for business, living and leisure, and have plans to rejuvenate the entire development. The goal is to unlock its potential GDV in excess of RM14.7 billion through ongoing and pipeline projects. Between 2019 and 2021, we plan to develop key attractions including the ONE° 15 Estuari Sports Centre together with our joint venture partner, ONE15 Marina Holdings Pte. Ltd. of Singapore; Marina Walk, ONE° 15 Marina Puteri Harbour (club) together with the same joint venture partner; Tanjung Marina Promenade, Tanjung Point Park and a Convention Centre.

We continue to build meaningful, long term relationships that make us the developer of choice for our trusted partners. The 40:60 joint venture operating under ONE°15 Marina Development Berhad ("ONE°15 MDB") begins selling club memberships in early 2019 having been given the approval by the Companies Commission of Malaysia in December 2018. A marketing gallery, to be opened in the second quarter of 2019, will introduce the waterfront marina lifestyle to potential club members and general public, targeting Malaysians, Singaporeans and expatriates. ONE°15 Marina Puteri Harbour will feature a 13,616 m<sup>2</sup> private clubhouse with a full-service private marina, 207 berths, 77 deluxe hotel rooms and suites, a two-storey members' lounge, meeting rooms and a 320-seat ballroom, gym, swimming pool with water play area for kids, multiple dining outlets, co-working spaces, kids' club, day spa, retail outlets and yacht chartering services. The ONE°15 Estuari Sports Centre will offer sports and recreational activities.

Meanwhile, various 'placemaking' events are being organised to appeal to different demographics, creating a vibrant working and living environment. The most significant of these the annual Iskarnival, which attracted more than 70,000 visitors on 8-9 December 2018. Themed Iskarnival Main-Main, it showcased a string of highly talented Malaysian musicians. Other crowd pullers included the Moscow Circus and Iskandar Puteri Jazz Festival. In the realm of physical endurance, we hosted the inaugural Spartan Asia Pacific Championship 2018, Challenge Iskandar Puteri 2018 triathlon, and Iskandar Puteri Night Marathon 2018. Yet another highlight of the year was the inaugural fashion extravaganza, STYLO Gentlemen's Weekend, held at Puteri Harbour from 26-28 October.



# Management Discussion & Analysis

## EXISTING PROPERTIES

Southern Region Project	Type	Launched GDV (RM mil)	Remaining GDV (RM mil)	Development Period
East Ledang	Landed Residential	1,843.5	1,463.3	2008 - 2023
Nusa Idaman	Landed Residential	946.3	932.9	2005 - 2020
Nusa Bayu	Landed Residential	750.8	409.1	2010 - 2021
Imperia	High-Rise Residential	469.6	0.0	Completed
Teega	High-Rise Residential	1,347.3	0.0	Completed
Almas	High-Rise Mixed Residential Commercial	580.1	1,377.4	2013 - 2022
Estuari Gardens	Landed Residential	656.8	2,702.0	2015 - 2025
Aspira LakeHomes	Landed Residential	262.4	158.0	2016 - 2022
Denai Nusantara	High-Rise Affordable	188.5	0.0	Completed
Serimbun	Landed Residential	139.0	0.0	2018 - 2021
68° Avenue	Commercial	167.7	0.0	2018 - 2020
Aspira ParkHomes	Landed Residential	101.8	190.5	2019 - 2021
Horizon Hills (JV)	Mixed Residential Commercial	5,471.2	1,730.8	2007 - 2020
Somerset Puteri Harbour (JV)	Low-Rise Serviced Apartments	220.0	0.0	Completed
Emerald Bay (JV)	Landed Residential	338.0	3,177.0	2012 - 2023
Mall of Medini (JV)	Commercial	103.0	2,097.0	2012 - 2022
Nusajaya Tech Park (JV)	Industrial	315.0	3,185.0	2014 - 2025
<b>TOTAL</b>		<b>13,901.0</b>	<b>17,423.0</b>	<b>N/A</b>

Central Region Project	Type	Launched GDV (RM mil)	Remaining GDV (RM mil)	Development Period
Serene Heights	Landed Residential	459.3	3,247.5	2015 - 2025
Symphony Hills	Landed and High-Rise Residential	1,269.4	0.0	Completed
Residensi Sefina	High-Rise Residential	307.3	0.0	2015 - 2019
Arcoris	High-Rise Mixed Commercial	1,257.9	0.0	Completed
Summer Suites and Summer VOS	High-Rise Commercial	470.7	0.0	Completed
Residensi 22	High-Rise Residential	971.3	0.0	Completed
Radia Bukit Jelutong (JV)	Mixed Residential Commercial	982.1	1,038.9	2013 - 2021
Seremban Forest Heights (JV)	Mixed Residential Commercial	582.5	1,640.4	2003 - 2025
Residensi Solaris Parq	High-Rise Residential	765.2	2,015.6	2017 - 2024
Kondominium Kiara Kasih	High-Rise Affordable Residential	215.7	0.0	2018 - 2022
Residensi Astrea	High-Rise Residential	323.0	0.0	2018 - 2023
<b>TOTAL</b>		<b>7,604.4</b>	<b>7,942.4</b>	<b>N/A</b>

International Project	Type	Launched GDV (RM mil)	Remaining GDV (RM mil)	Development Period
Quintet, Canada	Mixed Residential Commercial	1,032.9	0.0	Completed
Aurora Melbourne Central	High-Rise Residential Mixed Commercial	2,389.6	0.0	2014 - 2019
Conservatory	High-Rise Residential	990.6	0.0	Completed
Mayfair	High-Rise Residential	1,132.6	0.0	2017 - 2021
<b>TOTAL</b>		<b>5,545.7</b>	<b>0.0</b>	<b>N/A</b>

- Southern
- Central
- International



**Note:**  
Projects in the latest launches above were launched in 2018 except for Aspira ParkHomes which was launched in January 2019.

### Gerbang Nusajaya

Our next growth catalyst is the 4,471-acre Gerbang Nusajaya which is being developed to serve as the business and economic engine of Iskandar Puteri featuring residential precincts, industrial hubs, lifestyle and retail zones as well as campus offices. Seen as the gate to sustainable economic opportunities and high-quality life, Gerbang Nusajaya leverages its connectivity – being just 15km away from the Tuas checkpoint in Singapore and 33km from Senai International Airport – to attract investors and high-value businesses among others.

Further boosting its connectivity, the Gerbang Nusajaya Interchange is being developed jointly with Mulpha International Berhad, and slated for completion towards the end of 2020. Between 2019-2023, freshly injected funds will be utilised to build roads, interchanges, bridges, drains, detention ponds, reservoirs, treatment plants, street lighting and landscaping. There are also plans to construct a main spinal road and an Iskandar Puteri Transportation Hub to leverage on the existing Keretapi Tanah Melayu railway tracks which currently heads to the Port of Tanjung Pelepas. In addition, we hope to incorporate transit-oriented developments around the area to further enhance its economic potential. The entire development is estimated to unfold over a period of 25 years.

Gerbang Nusajaya offers residential homes where eco-living coincides with biodiversity. Some of the residential precincts are carefully planned around centrally located lakes to encourage a serene lifestyle. Under the approved Gerbang Nusajaya masterplan, we will be providing a total of 11,540 units of houses including those under joint ventures. In the immediate term, we have identified five developments that have either been launched or planned for launches i.e. Aspira LakeHomes, Aspira ParkHomes, Aspira Gardens, Gerbang Nusantara and Aspira Square, totalling 6,141 units with total a GDV of RM1.5 billion.



Serene Heights in Bangi

Today, we have developed two mid-market gated and guarded residences, namely Aspira LakeHomes and Aspira ParkHomes. Aspira LakeHomes comprises 625 units of double-storey terrace homes spread across 73.6 acres of land with a total GDV of RM541.3 million priced from RM597,800 per unit. Since April 2016, a total of 366 units from Phases 1 to 3 have been launched with a take-up of 74%. Aspira ParkHomes, also landed and stratified, was launched on 19 January 2019 priced from RM529,000 per unit. It will see a three-phased roll-out of 452 units of double-storey terrace homes at a total GDV of RM292.3 million. To date, 162 units in Phase 1 with a GDV of RM101.8 million have enjoyed sales and bookings of close to 60%. Towards the end of 2019, we plan to launch Phase 1 of Aspira Gardens, another new residential development with a total estimated GDV of RM84.7 million and Aspira Square, a commercial development totalling 82 units with an estimated GDV of RM68.0 million.

Meanwhile, the Johor State Government has approved the development of 4,868 units under the Rumah Mampu Biaya Johor scheme. The project with a total GDV of RM500.6 million, to be known as Gerbang Nusantara, sits on 164.8 acres north of Gerbang Nusajaya and will comprise a combination of landed and high-rise units with the residential unit priced at RM150,000 per unit. Targeted to be launched in the second half of 2019, Gerbang Nusantara will include communal facilities such as a mosque, integrated and primary schools, multipurpose hall and a neighbourhood community centre.

Excluding the ongoing developments, we have slightly above 2,300 acres of developable lands in Gerbang Nusajaya potentially generating an estimated total GDV of RM25.4 billion.

**Nusajaya Tech Park** (“NTP”) is an integrated industrial park with eco-friendly infrastructure, design and facilities 60:40 owned by the Ascendas Group and UEM Land Berhad respectively via a joint venture company, Nusajaya Tech Park Sdn. Bhd. in Gerbang Nusajaya. To date, 43 ready-built factories have been completed with 21 units sold and another four leased, mainly by investors from Singapore, Malaysia, the United Kingdom and United States. Most of the lessors are engaged in precision engineering and the aerospace industry.

In July 2018, British aerospace supplier GKN Aerospace signed agreements to set up its first Asian repair and research centre in NTP, committing to an investment of USD30.0 million. The research centre, occupying a total gross floor area of about 105,000 square feet, is expected to open in mid-2019 with about 150 employees in the first two years of operation, doubling to 300 after five years. GKN Aerospace is the world’s leading tier one supplier of aerospace systems and products. In November 2018, a 225,225 square feet build-to-suit precision engineering manufacturing facility was completed and handed over to Daiichi Seiko from Japan. Its grand opening is expected to be held in the second half of 2019.

## Management Discussion & Analysis

The **Southern Industrial and Logistics Clusters (“SILC”)** is our flagship 1,300-acre advanced technology industrial park. Phases 1 and 2 are sold out with 342 factories completed. Phase 3, with a net saleable area of 196 acres, was officially launched in February 2017 with the disposal of 4.1 acres to Crown Worldwide Group which is investing RM37.0 million in a facility to store 1.5 million boxes of documents for its Crown Records Management brand. In 2018, we entered into four other agreements for the disposal of industrial plots of varying sizes at a total consideration of RM26.0 million.

Investments such as these will create employment opportunities which, in turn, will bring in the population required for Iskandar Puteri to reach critical mass for organic growth. They also support the government’s development agenda. Having GKN Aerospace set up its first Asian repair and research centre in Iskandar Puteri is consistent with the Government’s aspirations to make Malaysia the leading aerospace nation in Southeast Asia as spelt out under the Malaysia Aerospace Industry Blueprint 2030.

**Afiat Healthpark** is a 67.2-acre health and well-being hub in Iskandar Puteri. It currently boasts the Columbia Asia Hospital and Millesime Hotel. Columbia Asia Hospital, which opened in 2010 with 80 beds, has been recording an average occupancy rate of 80%-100%. The hospital purchased another three acres of land from UEM Sunrise in June 2015 for expansion, which was completed in the second quarter of 2018 enhancing its capacity to 155 beds. This is aligned with our promotion of Iskandar Puteri as a medical tourism destination. To date, we have a balance of 28.2 acres of saleable land in Afiat Healthpark.

### INTERNATIONAL

#### Completion and Partial Settlement of Australian Projects

Topping out at a staggering 289-meter AHD (Australian Height Datum) and located where shopping, work, education, cultural and transportation hubs converge vis-à-vis direct linkage to the concourse of Melbourne Central Station, Aurora Melbourne Central reached its structural peak on 4 April 2019. Located in La Trobe Street, it is currently the tallest building in Melbourne Central Business District. The 88-storey mixed-use development comprising 959 residential apartments, 252 serviced apartments, office suites and premium retail space will create more than 500 ongoing opportunities for employment upon its completion and has seen over 3,000 jobs created during construction.

The first Separable Portion (“SP”), SP3 (levels 10 to 30), with a GDV of AUD115.1 million, was completed and progressively handed over beginning September 2018. The handover of the completed units is on track with a total of 201 units delivered to the respective buyers achieving a settlement rate of over 97% to date. SP4 (levels 31 to 59), which has a GDV of AUD277.6 million, and SP5 (levels 60 to 88) with a GDV of AUD241.2 million are targeted for completion in the second and fourth quarters of 2019 respectively. The en-bloc sale of serviced apartments to Ascendas Australia Hotel Trust signed in December 2015 for AUD120.0 million, is expected to be completed in the third quarter of 2019.

Another of our developments in Melbourne, adjacent to UNESCO World Heritage Carlton Gardens is **Conservatory**. With a GDV of AUD322.0 million and featuring 446 residences, Conservatory’s SP1 was completed and handed over beginning December 2018 followed by its SP2 and SP3 which were handed over progressively from January and February 2019, respectively. To date, all 446 units in the 42-storey building on MacKenzie Street have been completed with 311 units handed over to the purchasers, reflecting a settlement rate of 70% to date. We have also settled the entire project financing for Conservatory via the receipt of the settlement proceeds. Surplus from the proceeds shall be a cash inflow to UEM Sunrise.



Aurora Melbourne Central, Australia

Overlooking the Shrine of Remembrance and the Royal Botanic Gardens on St. Kilda Road is **Mayfair**, our ultra-luxurious development featuring 158 residences. The high-rise icon was designed by the late world-renowned architect, Dame Zaha Hadid.

### With existing structural issues still plaguing the property sector, the market is expected to remain challenging in 2019.

#### Plans in Durban, South Africa

In South Africa, we are developing Durban Point, located at the entrance of the busiest port in Africa within the Central Spatial Region, part of the Greater Durban Central Business District. Measuring approximately 30.6 acres, the development is being undertaken by a 50:50 joint venture with the local eThekweni Municipality, held indirectly by UEM Sunrise South Africa (Pty) Ltd. The land's strategic location, along the Point Promenade overlooking the Indian Ocean, is its unique value proposition. In addition, the Durban Municipality has also invested substantially into developing relevant infrastructures and promenade to make the area more attractive.

Since acquiring the land in the 1990s, several developments have come into existence including the promenade, a theme park and other infrastructures adding value to the location. Durban Municipality itself has a strong pull factor, boasting the nation's highest Credit Rating of AA-/A1+ and having the best collection and capital (infrastructure) investment rates in addition to being the largest domestic tourism destination and ranking second for 'Quality of Living' among all cities throughout Africa based on Mercer Consulting 2018.

In view of the circumstances, we are planning to re-activate the development of Durban Point and unlock its potential value. We have identified three plots of land measuring 8.5 acres for disposal to raise funds to partly finance a mixed high-rise residential and retail development on a plot of land fronting the beach.

#### ECONOMY

The Malaysian economy is expected to expand by 4.3% to 4.8% in 2019 (*source: Bank Negara Malaysia*) compared with the 4.7% recorded in 2018. Although private sector consumption is expected to slow down to move closer to its long-term average of 6.7%, it will continue to be the main driver of growth. The projected deceleration in this segment is largely due to consumers factoring in the effect of the Sales Service Tax in their spending, besides already having frontloaded their spending for durable goods during the zero-rated GST period.

The external sector is anticipated to record a more moderate growth in line with modest global economic outlook and trade activity. Global trade developments will remain a key factor affecting the 2019 outlook, as trade tensions between the US and China pose downside risks in the near-term future. Other short-term downside risks include the relatively high levels of

private and public sector debts, as well as the increased reliance on oil-related revenue. Over time, the implementation of reforms via the six pillars announced during the Mid-term Review of the 11th Malaysia Plan should improve public sector efficiency and foster equitable growth within the nation.

With existing structural issues still plaguing the property sector, the market is expected to remain challenging in 2019. Anticipated headwinds include continued property oversupply and an apparent supply and demand mismatch, combined with the subdued economic growth, the dampened sentiment following the post-election initial euphoria, and the rising cost of living. Affordability issues continue to weigh on the sector, particularly in the residential segment where household income growth falls short of the real increase in cost of living and housing especially in urban areas.

Nonetheless, the residential market has shown possible early signs of recovery as transaction volume in the first nine months of 2018 grew by 1.3% year-on-year – after having recorded negative growth in the first nine-month periods of the past three years – indicating positive opportunities in the current market, given the right location, product and pricing strategy. Having said that, transaction activity grew mainly in the segment where property prices are below RM500,000 per unit, which is supported by the mass market. By location, the Southern region will lag behind Central in recovery due to the massive numbers of unsold units in Johor particularly in the high-rise segment, as compared to elsewhere in the country.

In an effort to spur activity, the Government has introduced various waivers and initiatives to encourage homebuyers, some of which have been supported by UEM Sunrise. We are participating in the FundMyHome scheme placing our high-rise Verdi Eco-dominium, Symphony Hills in Cyberjaya as one of the products which potential buyers can rent and thereafter buy. We also took part in the launch of our Home Ownership Campaign 2019 in early March which saw us sell 34 residential properties mainly comprising Serene Heights' Eugenia and Dahlia, two units of Verdi Eco-dominium and two units of Serimbun worth RM26.0 million during the three-day campaign.

Meanwhile, in Australia the outlook is also less optimistic this year, mainly due to the weaker growth in consumption as well as household income. The 2019 GDP growth forecast was lowered to 2.7% (*source: Bloomberg's weighted average as at February 2019*), and the property market continues to be sluggish with residential prices especially in Sydney and Melbourne having declined most significantly. Tightened access to credit, subdued consumer sentiment, reduced investment and higher dwelling supply are the main factors behind this waning condition. Despite the gloomy outlook, a low unemployment rate and possible recovery in income growth are expected to support the economy in the near to medium term.

# Management Discussion & Analysis

## STRATEGY & OPERATIONS

### TRANSFORMING OUR DELIVERY ENGINE

#### Customers at the Heart of Our Business

We recognise that our customers are our most influential ambassadors and seek to ensure the best possible experience for them with UEM Sunrise. We conduct customer feedbacks and annual customer satisfaction surveys, to better understand our customers' needs and bridge various gaps through relevant initiatives.

Through the eProperty Track platform, potential customers are able to obtain online information on our products. We also introduced virtual tours of actual units and the overall plan of selected projects, apart from partnering with third party platforms, such as Loan Plus, for immediate loan screening within 20 minutes. We are also increasing our social media utilisation and presence towards reaching out to targeted audiences.

We have enhanced our customer channels to make it easier for customers to reach us for requests or enquiries. Our Customer Contact Centre, on a dedicated 1800 888 008 number, and e-mail [customercare@uemsunrise.uemnet.com](mailto:customercare@uemsunrise.uemnet.com) are now operational seven days a week (excluding public holidays) from 9.00 am to 6.00 pm. In addition, we have set up Customer "One Stop" Lounges at respective projects in the Central and Southern regions, offering easy access for walk-in customers for a variety of services, including property handover, defects management and property management. Dedicated Customer Experience executives are assigned to all enquiries to ensure each case is managed efficiently and resolutions are achieved within the stipulated time.

To facilitate transportation, we provide daily shuttle bus services in Mont'Kiara and Iskandar Puteri. Further adding value to our customers and residents, in October we entered into a Memorandum of Understanding ("MOU") with GPay Network (M) Sdn. Bhd., GrabCar Sdn. Bhd. and MyTeksi Sdn. Bhd. (collectively known as "Grab Partners") to collaborate on transport services within Mont'Kiara, Dutamas and Iskandar Puteri. Through the collaboration, we are implementing a non-exclusive cash payment service that covers transportation solutions, e-wallet payment services with stored value facilities, food delivery services, bicycle and scooter sharing services, and other related services. To ensure the venture's success, on 29 March 2019 we further detailed the responsibilities of each party under the MOU via a Collaboration Agreement.

#### Operational Excellence

Key to our transformation journey is revamping the way we do things. We have identified the need to improve our processes and systems, especially in key areas relating to development and procurement, as a means to accomplish operational excellence.



Strategic partnership between UEM Sunrise and Grab Malaysia

The goal is to be an accomplished developer, as well as a price and cost leader, measured not just by sales and revenue targets, but also by our efficiencies and professionalism. Aiming to achieve operational excellence through operations management, we focused on three major areas; Project Overall Life Cycle, Design Management and Procurement Process.

- Project Overall Life Cycle – With the goal of changing our mindset from construction to customer and business-centric, we are revamping our operational processes and implemented a reporting tool called RAR; short for Results-Action-Review. RAR enables users access to all the key metrics of a project involved in decision making with only a few clicks. Granting the right level of empowerment to the Directors and project team leaders to enable agility when it comes to 'on-the-ground' decision making, is also paramount in our improvement efforts. This reduces the backlog of impending decisions, resulting in more transparent accountability while the operationalisation of each project's profit and loss structure, enable us to monitor costs. We also need to ensure that UEM Sunrise's signature is engrained in all our projects considering that standardisation among the regional teams is required at all times. With the introduction of streamlined business submissions and approvals amongst others, we are well underway in 2018.
- Design Management – We challenged ourselves with the true meaning of the ideal UEM Sunrise project considering that our customers want our products to be EXCITING with unbeatable VALUE and EASY to own. Based on this philosophy, we developed "EVE", a new template that focuses on customer centricity.
- Procurement Process – We implemented a robust vendor accreditation and evaluation programme to ensure the quality of our partners and service providers. To ensure accountability across the board, a collaborative scoring of key performance indicators in tender processes was also introduced. We also implemented a more efficient tendering strategy, putting in place effective processes and engaging mostly with quality vendors. This allows us to achieve cost optimisation which can be driven further and reduce the amount of time spent on the whole procurement process.

## UEM Sunrise has a large developable landbank of approximately 13,000 acres, including lands planned for joint venture developments.

A workable base to push business operations towards digitalisation in UEM Sunrise is taking form. Efforts to reduce costs and cycle times, improve product quality and increase efficiency are coming into force as we journey towards operational excellence.

### Human Capital

Recognising the importance of our people to our ongoing success, we are restructuring our organisation to provide better clarity of individual roles and responsibilities, while aligning key performance indicators with our business goals. We are creating a high growth culture in which development support is ingrained in our everyday operations, daily routines and conversations. We encourage our people to keep challenging themselves. We recognise that mistakes will be made in such an environment, and share the view that mistakes are to be treated as learning opportunities for us to be better at what we do. Hence, programmes have been established to ensure our people are equipped with the right skills through learning and development initiatives, among which is the development of a customer-centric quality, which we strive to embed throughout the organisation.

UEM Sunrise is committed to identifying future leaders to continue to drive the business via succession planning and talent management. Our Talent Council and Advisory Council provide governance in building a sustainable talent pipeline through a series of interventions that enable our people to fully develop their potential. High performers are enrolled in a Senior Leadership Development programme. We help senior managers advance in their careers through the UEM Sunrise-Nottingham Business Management Programme.

## STRENGTHEN SALES

### Balancing Our Portfolio

UEM Sunrise has a large developable landbank of approximately 13,000 acres, including lands planned for joint venture developments. Of this, 76% is in the Southern region, particularly Johor; 19% in Tapah, Perak; while the remaining 5% is in the Central region. Our land in Durban Point represents approximately 0.2% of our total developable landbank.

We realise the need to rebalance our landbank portfolio and increase our presence in the Central region, where there is still a robust market for products with the right value propositions. This is being achieved by divesting non-strategic lands to provide the capital to secure strategic landbank in the Central region, where we hope to further grow the UEM Sunrise brand by emulating the success of our Mont'Kiara and Dutamas developments.

In 2018, we disposed of a total of RM457.4 million of non-strategic lands in Iskandar Puteri. This was followed by the disposal of a 10.6-acre pocket land to RA Suria Sdn. Bhd., its second acquisition in Iskandar Puteri following that of 23.6 acres in April 2017 for RM55.5 million, which we recognised in 2018. This second acquisition, with a consideration of RM24.8 million, was inked in January 2019, and is expected to be completed in the second quarter of the year.

Towards the end of March this year, we acquired a pocket land measuring 2.9 acres in Mont'Kiara from Bright Axiom Sdn Bhd. Prior to this, in June 2018, we acquired a similar sized pocket land also in Mont'Kiara from Nepfield Sdn. Bhd.. In April 2018 we acquired 72.7 acres of land in Kepong from Datuk Bandar Kuala Lumpur via a joint venture arrangement with MLE, while back in December 2017, we acquired 19.2 acres in Taman Equine, Seri Kembangan from Kemaris Residences Sdn. Bhd..

### Inventory Monetisation Efforts

To help reduce some of our inventories and enhance our cashflow position, we ran two campaigns to make home ownership more affordable. In February, we launched 'A New Year, A New Home' offering value propositions such as Easy Entry, Easy Plan, Easy Move and Easy Privileges. This was followed by 'UEM Sunrise Celebrates 50 years of Community Building' ("C50") in August that leveraged a re-pricing strategy as well as sundry offers to further enhance our properties' value proposition. These campaigns targeted seven properties; Symphony Hills' landed properties and its two blocks of residential towers known as Verdi Eco-dominiums in Cyberjaya, Estuari Gardens, Almās, Teega, Residensi Ledang and Bayu Angkasa in Iskandar Puteri. Through the campaigns, we garnered total sales including bookings of RM311.2 million as at 12 April 2019 for the seven properties.

The Company's inventories as at end 2018 stood at RM695.3 million, just 14% higher than RM609.7 million as at end 2017. This is an achievement considering that we completed several major projects in 2018, especially in the second half of the year, including the fully-sold Acacia and Begonia, the first two phases of Serene Heights, Estuari Gardens and Almās. These completed projects caused our inventories to increase by RM287.9 million as at end of 2018. In January this year, we completed and delivered Denai Nusantara, and plan to deliver Residensi Sefina in Mont'Kiara as well as Camellia of Serene Heights. We plan to continue with the campaign in anticipation of lower inventories towards the end of 2019.

# Management Discussion & Analysis

## Planned Product Launches

We are of the view that products with unique value propositions within strategic locations and attractive pricing packages, should continue to have encouraging demand. As such, we plan to launch projects worth a total GDV of RM1.2 billion in 2019 focusing on reasonably sized mid-market projects in mature locations with prices ranging from RM500,000 to slightly below RM1.0 million per unit in both the Central and Southern regions. This excludes our affordable homes, the pricing of which is determined by the respective state authority's requirements.

The year 2019 started well with the launch of Aspira ParkHomes in Gerbang Nusajaya on 19 January which attracted considerable interest and has seen over 60% bookings to date. This is to be followed by other pipeline developments in the Southern region, specifically in Gerbang Nusajaya; a subsequent phase of Aspira ParkHomes, Aspira Square (Phase 1), Aspira Gardens (Phase 1) and Gerbang Nusajaya's first affordable homes, Gerbang Nusantara – all in the second half of 2019. In the Central region, we aim to launch two towers of serviced apartments with GDV of RM640 million in Kepong, Kuala Lumpur before year end and continue to introduce new phases of Serene Heights.

Our launches in 2018 have been successful, securing at least 60% take-up after six months of launch proving that our EVE philosophy has worked to date, particularly bringing to the market the right product and pricing, complemented by a strong marketing strategy. For example, the take-up of 68<sup>o</sup> Avenue launched in December 2018 is already 60%. For Eugenia, Serene Heights launched in October 2018, the take-up to date is 61%. Among our other successful launches is Kondominium Kiara Kasih, which has enjoyed a take-up of 97% within a year of launch.

**Our launches in 2018 have been successful, securing at least 60% take-up after six months of launch.**

## STRENGTHEN FINANCIALS

### Earnings and Balance Sheet

While diversifying our sales portfolio for enhanced earnings, we seek to better manage our working capital by ensuring take-up rates exceed 60% prior to securing project financing for new launches. We will also explore project specific financing vis-à-vis broad funding as well as plan palatable repayment profiles. Sales targets will be relatively sized, easy to manage and we endeavour to manage receivables through stringent collection mechanisms.

### Cash Flow Management

Liquidity is important, likewise our commitment towards settling borrowings. Towards this end, UEM Sunrise will continue with our cash consolidation exercise through asset divestment strategy having identified few pockets of land for disposal, earmarking close to RM300.0 million in 2019 as well as continuous sale of our product launches. We will also intensify our inventory monetisation efforts to clear Estuari Gardens, Teega, Residensi Ledang and Symphony Hills' landed homes as well as our high-rise Verdi Eco-dominium and map our commitment alongside our funding requirements prioritising developments, investments or repayments based on importance and urgency in line with the Company's strategy.

### Smart Spending Initiatives

UEM Sunrise embarked on a group-wide smart spending initiative in 2018 to instil prudent and efficient spending without deteriorating the delivery and quality of our products. The initiative spans from project planning up to project financing costs. It has improved our performance in terms of overall savings in comparison to the initial budget in 2018. The initiative will continue throughout 2019.

## FUTURE PROOFING THE BUSINESS

Digital technology is set to become an important element in our expansion plan moving forward. Our efforts can be broadly categorised into three areas: Digitisation (the process of converting information from a physical format into a digital one), Partnership and New Business Model. For Digitisation, we have commenced the use of technology to improve internal and external efficiencies for greater cost savings. Internally, we employed Microsoft 365 as our working modernisation tool and a new Sales Force CRM system for better lead management, sales and servicing. Externally, in 2018 we launched our new website and our first minimum viable product (MVP) App called Hub for our loyal customers to ease their journey with UEM Sunrise starting from finding the right properties up to post sales services.

Concurrently, we are actively looking for the right start-ups, i.e. newly-emerged businesses, to partner with. In 2018, we launched Smart Home for Residensi Astrea by partnering with B-wave in collaboration with Inneonusa Sdn. Bhd., our joint venture company with Telekom Malaysia Berhad. As mentioned, we are also collaborating with Grab Partners to bring their services into our development areas with some expansion on their roadmap. We implemented a pilot project with Smart Parking to



WOTSO, Mercu Summer Suites, Kuala Lumpur

ease customers' and stakeholders' parking experience and Loan Plus to enable quick checks on loan eligibility in order to buy our properties. We have identified other start-ups to work with in 2019 and hope they will bring more value to the Company.

On new business opportunities, we are actively looking for new revenue streams, one of which is our collaboration with BlackWall Limited on the co-working space in Malaysia. We also implemented a Design Thinking exercise in 2018 to rejuvenate Puteri Harbour. From the exercise, certain areas have been identified for potential monetisation which we hope to launch this year.

## MANAGING KEY RISKS

### Competition Risk

Competition is stiff for strategically located and reasonably priced landbanks, the supply of raw materials and labour, and selling prices of property. To sharpen our competitive edge, we review our brand strategy and product value proposition every year, while identifying potential operational improvements, enhancing our project delivery and strengthening our customer experience.

### Operational Risk

Failure to deliver key projects efficiently is a major risk, which we manage by continuously strengthening our project management, design management and tender management capabilities as well as implementing value engineering to ensure projects are within budget.

### Liquidity Risk

Inability to meet our funding obligations is a risk to earnings, shareholders' funds and/or our reputation. To minimise such risks, we monitor our sales funnel, inventory levels and development plans for adequate cash flow, while maintaining liquidity buffers. We also monitor borrowing repayment maturity profiles and financial covenants within acceptable levels.

### Concentration Risks

Landbank concentration poses a risk, which we are managing through a landbank diversification strategy to acquire lands in the Central region while divesting non-strategic lands and assets deemed to be not strategic within our asset portfolio.

### People Risk

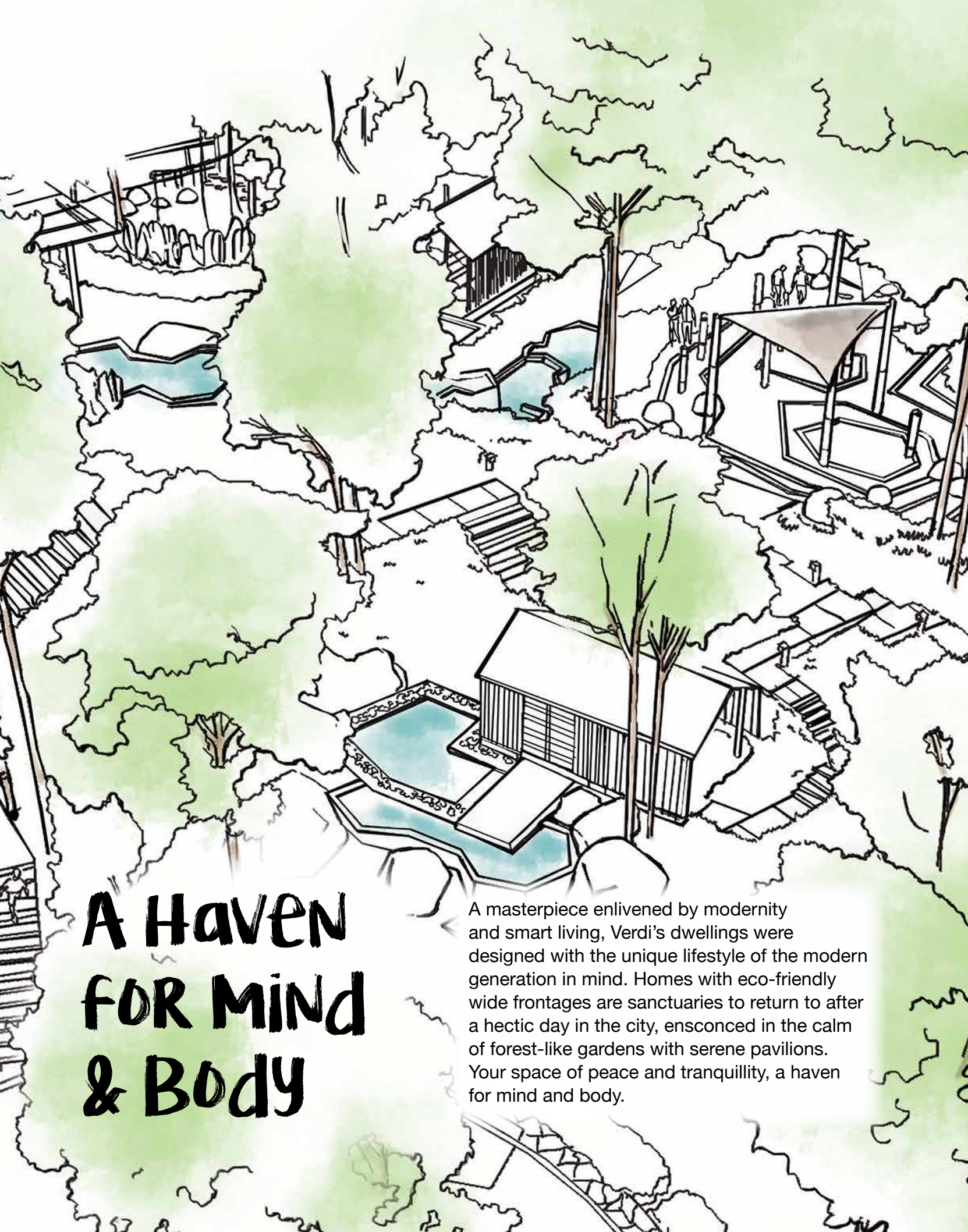
Hiring the right employees and loss of key talent remain a challenge for the Company. To manage, we have established a talent brand and attraction strategy aligned with our desired organisational culture. Meanwhile, our Talent Management team is on the constant lookout for suitable talent.

## PROSPECTS

With the property sector set to remain challenging in the short to medium term, we will focus on offering our unique brand of value propositions. We believe we can continue to command healthy sales especially if our properties are located in good locations that also carry attractive pricing packages. Of our RM1.2 billion sales target, we anticipate contribution to come from the Southern region, from projects such as Estuari Gardens and Aspira ParkHomes whilst from the Central region, the likes of Serene Heights, Residensi Solaris Parq, Residensi Astrea and Kondominium Kiara Kasih. We also plan to launch new projects worth a total GDV of RM1.4 billion focusing on reasonably sized mid-market projects in mature locations in both the Central and Southern regions. No international projects will be launched this year.

Taking into account the soft property market, we will exercise prudence in our product launches and remain pragmatic in our targets. We are determined to build on our encouraging operational and financial performance and to drive further efficiencies across the business. We are building great homes and projects for our customers, creating jobs and supporting economic growth while delivering the expected results both operationally and financially to our shareholders, but, as always, we will be mindful of the ongoing sentiment, and serve the market appropriately.





# A HAVEN FOR MIND & BODY

A masterpiece enlivened by modernity and smart living, Verdi's dwellings were designed with the unique lifestyle of the modern generation in mind. Homes with eco-friendly wide frontages are sanctuaries to return to after a hectic day in the city, ensconced in the calm of forest-like gardens with serene pavilions. Your space of peace and tranquillity, a haven for mind and body.