Management DISCUSSION & ANALYSIS

MARKET LANDSCAPE

The Malaysian economy faces tough global and domestic challenges, although longer-term upside could come from public sector projects.

The Malaysian economy grew 4.3% in 2019, a 10-year low since the global financial crisis in 2009, compared with 4.7% growth in 2018. This was predominantly attributed to supply disruptions, especially in the commodity sector, while growth was supported by private consumption and expansion in the manufacturing and service sectors.

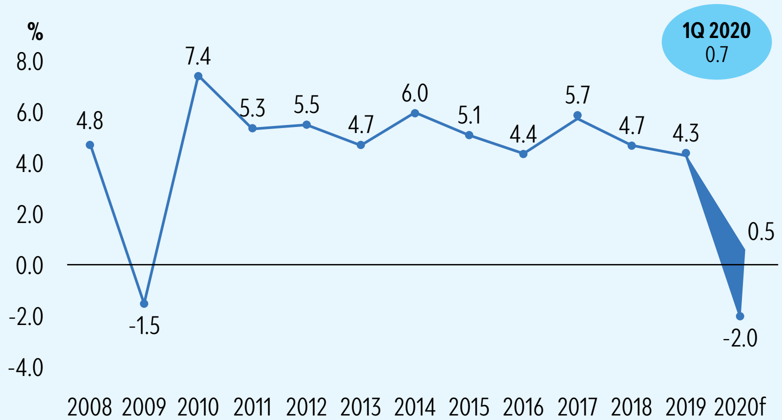
For 2020, Malaysia's economic outlook faces strong headwinds and many things remain uncertain. The ongoing worldwide health crisis has significantly altered our initial expectations entering the new year. There has been a sharp slowdown in the first half of 2020, in Malaysia and at a global level. The spread of COVID-19 has necessitated unprecedented containment measures, including social distancing, which have triggered a concurrent supply and demand shock, bringing economic activities to a near standstill in many countries.

In a bid to cushion the impact of the slowdown in economic activity, our Government has introduced and continually added on to an Economic Stimulus Package, which now totals RM260.0 billion. It is aimed at strengthening healthcare resources; minimising impact on businesses, particularly SMEs; providing assistance to households and individuals in these trying times; and promoting quality investments. However, most are temporary measures targeted to aid in market continuity and maintain liquidity, rather than address a longer-term strategy moving forward.

Despite the stimulus package, as at April, Bank Negara Malaysia (BNM) projects that GDP growth in 2020 will contract to between -2.0% and 0.5%. In a further effort to stimulate the economy, BNM lowered its Overnight Policy Rate (OPR) for the third time in 2020. The latest cut by 0.5 basis points in May 2020 brought the OPR to its lowest level since the 2008-2009 global recession, at 2.0%.

MALAYSIA'S GROSS DOMESTIC PRODUCT (GDP) GROWTH

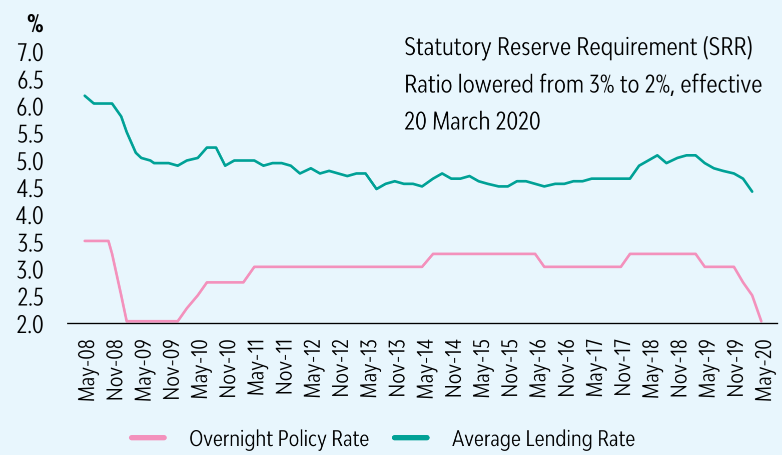
GDP is projected to drop to between -2% and 0.5% in 2020 against a highly challenging global economic outlook mainly due to the COVID-19 pandemic.



Source: Department of Statistics Malaysia (DOSM)

BNM'S OPR AND COMMERCIAL BANKS' AVERAGE LENDING RATES

To cushion the economic impact on businesses and households and spur economic activity, BNM lowered its OPR for the third time in 2020 to 2% in May 2020, alongside lowering the SRR in March 2020 to release RRM30.0 billion into the banking system.



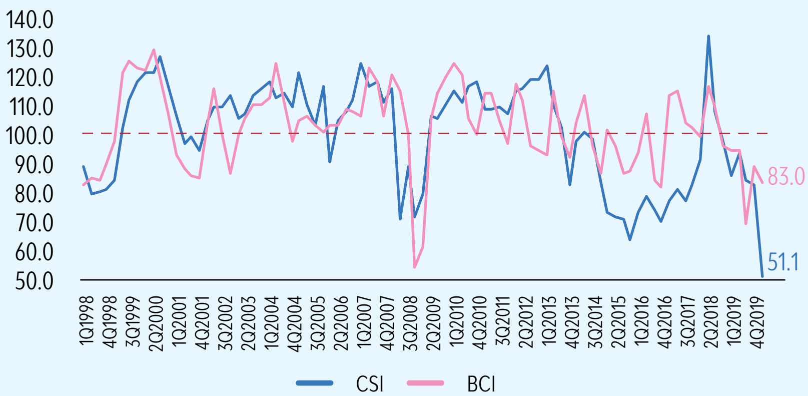
Source: Bank Negara Malaysia (BNM)

However, a recent study by Malayan Banking Berhad (Maybank) on the historical relationship between OPR, business and consumer confidence, applied and approved mortgages and property sales growth revealed that business and consumer confidence indicators have a stronger relationship with property sales (a correlation of 0.48 to 0.64) as compared to OPR (-0.1 to -0.15).

This means that while the lower OPR would enhance homebuyers' purchasing power due to lower loan instalments, it will not necessarily lead to an increase in property sales if consumer/business sentiments do not pick up. In light of the current situation, given the forecast GDP contraction, increase in unemployment and weak expectations on household incomes, consumer sentiments are expected to remain below optimistic levels this year.

CONSUMER SENTIMENT INDEX (CSI) AND BUSINESS CONDITIONS INDEX (BCI)

CSI plunged to its lowest level of 51.1 points in Q1 2020, reflecting increasingly cautious spending patterns, while BCI also remained well below the 100-point optimism threshold. Studies have shown that consumer and business sentiments have a stronger correlation to property sales than OPR.



Source: Malaysian Institute of Economic Research (MIER)

On the ground, the impact has already been felt by some, through wage cuts and even job losses. Despite policy responses, we expect that for most people, priorities will be on basic necessities, and capital purchases such as properties will likely take a backseat in the next year or two.

The timeline for recovery remains uncertain, as much will depend on how well the pandemic is contained and addressed. It is likely that recovery will be gradual, given the uncertainty around the duration and severity of the pandemic. Even when the containment is lifted and commercial activities resume, it will perhaps be with caution and certain setbacks, unless a cure or vaccine is found.

In the longer term, however, the fundamentals of the country remain strong, and we see drivers that could stimulate the economy and consequently the property market. These include a revival of mega projects, such as Bandar Malaysia, and infrastructure projects, such as the KL-Singapore High-Speed Rail (HSR), East Coast Rail Link (ECRL), Pan Borneo Highway, Johor Bahru-Singapore Rapid Transit System (RTS) and new Bus Rapid Transit (BRT) systems in Iskandar Malaysia and Kuching. The Government has given assurance that public sector projects, such as the ECRL, Klang Valley Mass Rapid Transit (KVMRT2) and National Fiberisation and Connectivity Plan (NFCP), which have been budgeted for in 2020, will continue to be implemented despite the economic contraction we are facing now, providing an additional lift to growth.

PROPERTY MARKET

Malaysia's property market is expected to be subdued. The property sector will certainly feel the repercussions of the pandemic outbreak and will continue to be affected by the amount of unsold supply, particularly in the residential[1] segment. This segment often acts as a barometer for the general health of the real estate market, as it constitutes almost 65% of total property transactions by volume and 50% by value every year.

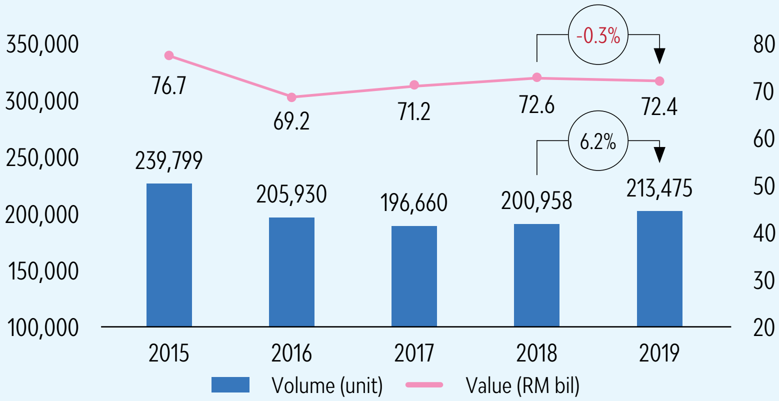
[1] "Residential" generally refers to all residential and serviced apartments.

MANAGEMENT DISCUSSION & ANALYSIS
MARKET LANDSCAPE

According to NAPIC's Property Market Report 2019, total unsold (completed, under construction and not yet constructed) residential and serviced apartment supply remained massive at 178,758 units (completed or "overhang" units totalled 47,806 with a value of RM34.0 billion) nationwide as at end-2019. Although affordability and access to financing issues were partly responsible for this, the oversupply was also contributed by a product mismatch, as we see the largest number of unsold units (completed, under construction and not yet constructed) in the lower price bracket of below RM300,000 (51,690 units or 29%). While affordable, some of these units fail to meet the crucial needs of the target market. In terms of location, they could be remotely located or far from workplaces or employment centres. They could also lack public transportation and amenities, or they may have been built in markets that are not so receptive to high-rise living.

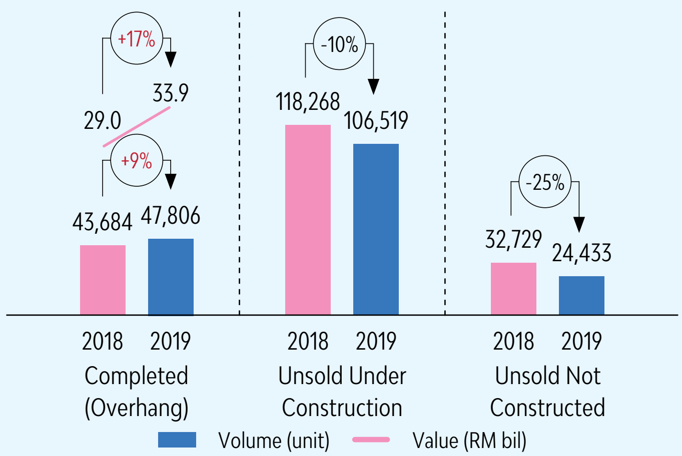
MALAYSIA'S RESIDENTIAL & SERVICED APARTMENT TRANSACTION VALUE AND VOLUME

Residential and Serviced Apartment transaction Volume increased by 6.2% year-on-year, boosted by the HOC. However, the transaction Value trended lower by 0.3%, consistent with higher activity in the more affordable price segment.



Source: National Property Information Centre (NAPIC) and UEM Sunrise Analysis

MALAYSIA'S RESIDENTIAL & SERVICED APARTMENT UNSOLD SUPPLY



Source: National Property Information Centre (NAPIC) and UEM Sunrise Analysis

In Kuala Lumpur, Selangor and Johor, the reduction in total unsold units (completed, under construction and not constructed) was most significant in the RM300,000 to RM500,000 price range.

In Selangor and Johor, the largest reductions came from the "unsold under construction" category. In these two states, the reductions were 6,901 and 5,586 units (-30% and -20%) units, respectively. Kuala Lumpur registered the most significant reduction in the 'unsold not constructed' category of 4,205 units (-21%) year-on-year.

To address this issue of unsold inventory, the Government launched the Home Ownership Campaign (HOC), which ran from 1 January to 31 December 2019. The HOC reportedly secured sales of 31,415 units worth RM23.0 billion, of which Selangor and Kuala Lumpur accounted for the majority (64%) of the sales. By price, those between RM300,000 and RM599,999 recorded the highest take-up (54.8%).

The campaign, initially meant to run for six months and eventually extended until the end of 2019, successfully resulted in a net reduction of 15,924 units of the total unsold units (completed, under construction and not yet constructed) between end-2018 and end-2019. However, it did not manage to specifically address the overhang (completed inventory) situation, which continued to escalate. Nevertheless, it did spur activity, as evidenced

The HOC reportedly secured sales of
31,415 units worth RM23.0 billion

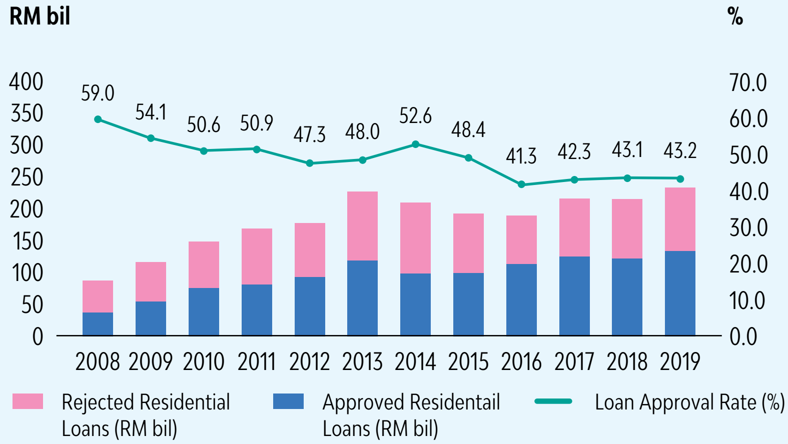
by the growth in residential and serviced apartment transaction volume of 6.2% (+12,517 units) year-on-year in 2019.

The amount of housing loans applied for and approved in 2019 also grew by 8% and 9% year-on-year, respectively, reflecting a similar trend in increase of activity. It should be noted, however, that not all the loans approved were necessarily taken up by applicants, due to the shortfall in the expected loan-to-value ratio or other reasons. This was partly the reason that the growth in approved loan amount was higher (9%) compared with the transaction value, which was quite flat in 2019 against 2018 (-0.3%).

While housing loan approval rates have been hovering around 41% and 43% in the last few years, banks are expected to continue to be cautious in lending as they are already facing a 65% exposure of their total consumer loans to end-financing for residential properties.

HOUSING LOANS APPLIED FOR AND APPROVED

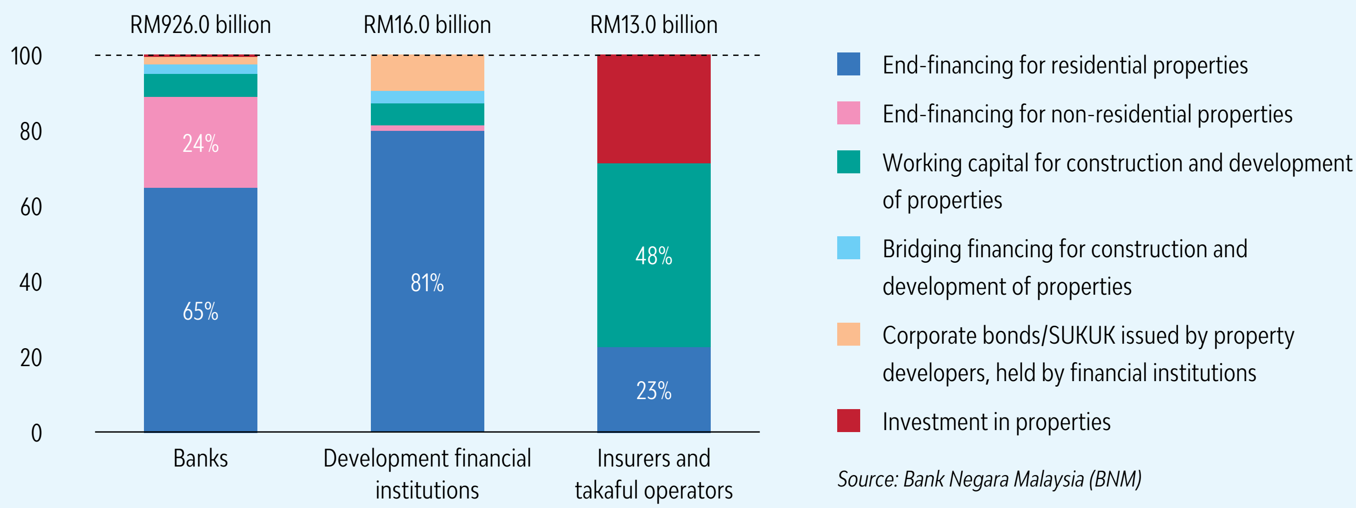
2019 loan amounts applied for and approved for purchase of residential properties increased by 8% and 9%, respectively, against 2018.



Source: Bank Negara Malaysia (BNM)

PROPERTY MARKET – FINANCIAL INSTITUTIONS' EXPOSURE TO THE PROPERTY MARKET

End-financing for residential properties continued to account for most of financial institutions' property exposure



Source: Bank Negara Malaysia (BNM)

MANAGEMENT DISCUSSION & ANALYSIS
MARKET LANDSCAPE

From the buyers' perspective, we are also sensitive to the sentiment in the market in this current environment. We realise that homebuying may not take priority for now. Nevertheless, there will still be pockets of real demand, as long as there is population growth and new household formation, and those well-prepared to bargain-hunt in this buyers' market. Taking the cue from this, we will continue to monitor the situation as it unfolds, carefully planning our next steps for post-COVID 19, as we are committed to responding in an appropriate and responsible manner.

For our future launches, we will endeavour to provide attractively priced, good-quality homes that are carefully planned to meet the requirements and preferences of our target markets, both in the Central and Southern regions, where we are present. We will continue to look out for opportunities to provide more centrally located, well-connected, affordable, quality homes in the Central region, as well as pushing out to other potential locations in Malaysia.

The industrial sector is a relative bright spot in the current market. Industrial properties currently offer better opportunities, driven by the logistics segment, which is supported by the growth of e-commerce. E-commerce in Malaysia is currently valued at about USD4.0 billion[2] (RM17.0 billion) and is set to grow at more than 8% annually over the next five years. At such growth rates, the logistics requirements to serve this rapidly increasing market are similarly immense. With accelerated changes triggered by the pandemic and social distancing expected to be part of the new norm, the potential of the e-commerce sector may even be larger.

We will continue to look out for opportunities, as well as pushing out to other potential locations in Malaysia

We recognise the opportunity to leverage this demand, particularly in the last mile of delivery. We have started exploring this space and are looking into managing industrial parks or multi-storey warehousing, as well as strategic partnerships for build-to-lease or build-to-suit projects in the Central, Southern and Northern regions (Penang).

Additionally, the drawn-out trade war between the US and China has diverted trade and investments to Malaysia, particularly to the electronics industry. The US and China emerged as Malaysia's largest foreign investors in 2019, with the value of approved manufacturing investments from the US rising 350% against 2018. Malaysia's reliable infrastructure, established supply chain and skilled workforce place the country at an advantage over other Southeast Asian countries as a manufacturing hub and any lingering tensions are expected to bring additional spillover benefits to Malaysia.

Commercial property remains challenging, particularly in the office and retail subsegments. Vacancy rates in Kuala Lumpur and Selangor for privately-owned purpose-built offices stood at 25% (33.6 mil square feet) as at end-2019. The vacancy rates for shopping centres averaged 17% (12.5 mil square feet) in 2019. In Johor, office vacancy rates were 34% (3.2 mil square feet) while retail space vacancy rates were 25% (6.4 mil square feet) in shopping centres. These vacancy rates continue to rise as demand remains stagnant while new supply continues to enter the market.

For office developments, location, accessibility and address are critical in determining the success of a project. While the market is generally in oversupply, we are able to establish specific areas where there is demand that is currently underserved. We are highly selective and will develop our projects in a targeted manner, being fully cognisant of the crucial need to identify and secure our end-users and not build speculatively. We also recognise that working styles are rapidly changing, from physically collaborative and flexible co-working spaces being a promising future global trend just a few months ago, to a drastic switch to a physically remote but digitally collaborative work style during this COVID-19 pandemic, which still has no firm end-date in sight.

[2] Source: Statista.com

In the longer term, however, the fundamentals of the country remain strong, and we see drivers that could stimulate the economy and consequently the property market.

We are currently facing a situation that is unprecedented, and while we have an idea of what the "new normal" will look like now and for the immediate future, the nature of the situation does not allow us a definite view on what the longer-term future will look like in respect of our working environment and interactions. Nevertheless, what is certain is that we will need to be more sensitive than ever in accommodating to this "new normal" and will appropriately respond in our product offerings, from the perspective of the amount of space we add into the market as well as in terms of its design and features.

Similarly in the retail segment, our long-term strategy is to create spaces that will complement and create synergies with our developments, focusing on F&B, experiential retail, wellness and placemaking. This extends from the successful model of our Publika, which has thrived by attracting creative and innovative designers and retailers. We have hosted exciting festivals, celebrations, events, exhibitions and community activities.

However, with the changing norms and the social distancing made necessary in containing the spread of COVID-19, we have had to put on hold our planned events and community activities this year and focus on keeping our communities safe. Apart from hospitality, retail is one of the most affected sectors in the face of the pandemic, and retail sales are generally expected to contract in 2020. The impact will be felt more severely by retail centres that are more dependent on tourist footfall, such as city centre malls, as well as those that are heavily dependent on tenant sales.

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International students from the University of Nottingham Malaysia on a study tour at Serene Heights, Bangi

While we are certainly not spared from the impact of the pandemic, our existing retail malls serve to mainly cater to our local and neighbourhood populations, providing essential goods and services, as well as F&B, on which the impact will be relatively less extensive. We are aware, however, that it will be a while before consumer sentiments improve and in-store retailing and dining habits return to pre-COVID-19 norms. The abundance of available and unoccupied space in the market, coupled with the weak retail sentiment, makes a highly competitive market landscape. Mall owners, including us, will face a challenging outlook in ensuring tenants are able to sustain themselves, alongside persistent pressure on rental rates in the short-term future.

Over in Australia, the country's economic growth is expected to reflect the global trend, as economists across the board now predict a recession. Prior to the pandemic, however, Australia's economy was already forecasted to slow down to 1.9% in 2020, its weakest rate since the 1990-1991 recession. Strict capital controls imposed by China, Australia's largest overseas property investor, have continued to limit incoming investments.

Following a period of contraction since 2017, the property market made a quick turnaround at the end of 2019, stimulated by three interest rate cuts by the Reserve Bank of Australia (RBA) last year. However, the initial expectation of a market recovery in 2020 was short-lived, as Australia too has not been spared the harsh impact of the COVID-19 outbreak. Federal and state governments have responded to the pandemic with massive fiscal stimulus packages and RBA's cash rates have been cut to a record low of 0.25% and are expected to remain low for the foreseeable future.

Having said that, if we are looking beyond the pandemic and at Australia's longer-term potential, Sydney and Melbourne are the two metropolises not to be overlooked. They account for 40% of the total property supply and 60% of all property transactions by value in Australia. In view of this, we continue to look out for opportunities in these markets.

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

At UEM Sunrise, our strategic thrusts guide us in our business operations, bringing us to where we are today. Throughout the year, we conducted aggressive sales, built a respectable sales funnel and identified new business ventures. This was supported by improvements to our operations, new developments in technology-related solutions and prudent strategies to maintain a healthy cashflow position. Our actions have enabled us to weather the storm in a market that is becoming ever more challenging, helping us to remain resilient as we evolve into the preferred lifestyle developer.

DEFENDING THE TOPLINE

- Launch Portfolio
- Sales Funnel - Inventory & New Launches
- Land Acquisition & Divestment
- Brand Enhancement

Defending the Topline involves taking a surgical approach to our launch portfolio, building a strong sales funnel and being methodical in our land acquisition and divestments. We do these while strengthening and enhancing our brand to continuously fulfil our promise to customers.

TRANSFORMING THE DELIVERY ENGINE

- Customer Experience
- Operational Excellence
- Product Development
- High-Growth Culture

Transforming the Delivery Engine entails enhancements to our customer experience, striving for operational excellence across our business operations, advancing our product development and cultivating a high-growth culture within the organisation.

PUSHING THE BOUNDARIES

- Technology & "Go Digital"
- Strategic Partnerships
- New Ventures
- Sustainability

Pushing the Boundaries sees us leveraging technology and pursuing digital initiatives, strategic partnerships and new ventures to generate future revenue streams. In these pursuits, we seek to embed sustainability practices throughout the business, ensuring we can create value for our stakeholders over the long run.

WEATHERING THE STORM

- Balance Sheet
- Cashflow Management
- Smart Spending
- Returns from JVs

Weathering the Storm is targeted at strengthening our financial position through safeguarding a healthy balance sheet, prudent cashflow management, smart spending and driving returns from our joint ventures (JVs).

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

OUR 5-YEAR TRANSFORMATION HORIZON

2017-2018	2018-2020	2020-2022
Fix	Rebalance & Grow	Push Boundaries

Towards achieving our goals as an organisation, we are also pursuing our five-year transformation horizon which outlines our targets and milestones. We are pleased to report that we are on track in making the next important leap in our value creation story. We have devoted the past three years to improving our internal processes, clearing our inventory and strengthening our balance sheet to enable UEM Sunrise to be resilient in what has been and continues to be a challenging operating environment.

The first phase, Fix, addressed the "hardware", ensuring all the moving parts are working effectively. The second phase, Rebalance & Grow, is where we are right now and involves optimising our "software", the main ingredients of the business – our people, the balance sheet and our property portfolio. Once completed, this will enable UEM Sunrise to enter the third phase, Push Boundaries, where we realise our vision of becoming the preferred lifestyle developer.

^
UEM Sunrise's affordable housing project Kiara Kasih undergoing construction

ACHIEVEMENTS

PHASE 1 – FIX

- Cleared inventory
- Improved customer experience and go-to-market
- Enhanced operational excellence through improved project management and procurement practices
- Established product development function
- Digitisation

PHASE 2 – REBALANCE & GROW

- Strengthen organisational structure to deliver growth aspiration
- Inculcate High-Growth Culture within the organisation
- Execute masterplan & activate the next Mont'Kiara & Gerbang Nusajaya
- Acquire & dispose of select land
- Accelerate placemaking in Iskandar Puteri
- Strengthen balance sheet
- Enhance brand equity
- Develop high-rise townships
- Improve management of our JVs

PHASE 3 – PUSH BOUNDARIES

- Pursue digitalisation
- Establish strategic partnerships
- Enhance new business income stream
- Explore merger & acquisition (M&A) opportunities

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

DEFENDING THE TOPLINE

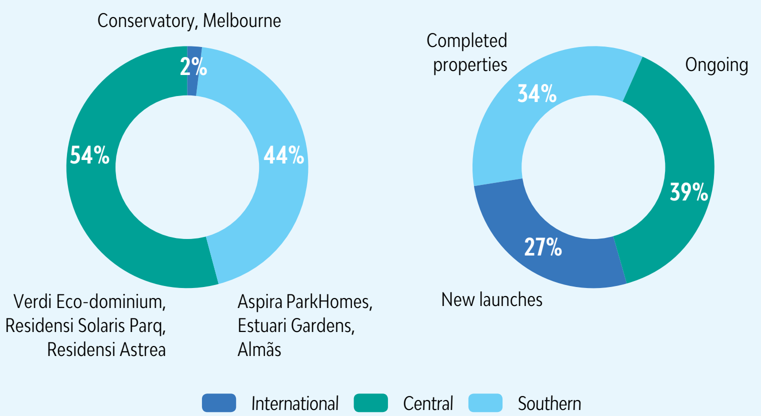
Our Performance, Sales and Launches in 2019

In FY2019, UEM Sunrise delivered an increase in revenue compared to FY2018 on the back of strong settlement of our Australian projects. We also continued focusing on monetising our existing inventory and aggressively promoting our ongoing developments. Given the soft market sentiment, the amount of sales achieved at RM1.1 billion in FY2019 was commendable. We also launched new properties valued at RM1.2 billion and continued to execute our landbanking and divestment strategies to ensure we remain diversified geographically.

Completed and delivered
1,874 properties
with total sales valued at RM1.1 billion

Launched new properties valued at
RM1.2 billion

Sales – Contribution by Region | **Sales – Composition by Product Status**



Sales for the period were mainly from local developments due to the cancellation of the Mayfair in Melbourne, Australia in July 2019. Despite the exclusion of Mayfair, we managed to bring in RM1.1 billion worth of local sales, which was positive in light of the current property market sentiment. Furthermore, 35% of our total sales was from completed properties, proving that our inventory monetisation efforts have been successful, as our inventories reduced by 21% from RM695 million in FY2018 to RM547 million in FY2019.

In FY2019, UEM Sunrise delivered an increase in revenue compared to FY2018 on the back of strong settlement of our Australian projects. We also continued focusing on monetising our existing inventory and aggressively promoting our ongoing developments.

The major interest was in our high-rise residential development, Verdi Eco-dominium in Symphony Hills, Cyberjaya which saw a reduction of 51% in its inventories.

From the RM1.2 billion worth of properties launched, 26% contributed towards total sales in 2019, indicating that new project launches are important to sustain our business and operations. For 2020, depending on market conditions, in addition to product uniqueness, attractive pricing and strategic locations, 29% of this year's sales is expected to be contributed by new project launches.

The HOC, which was initiated under KPKT from January to December 2019, was also helpful as it contributed 43% towards our total sales. The initiative was apparently a boon to the local property sector in general. As such, in view of the current market environment, we hope the Government will continue with similar initiatives in 2020 and beyond.

The 1,874 properties sold in 2019 were mainly mid-market residential products with the exception of 44 retail units in Almãs at Puteri Harbour. These included: in the Central region, high-rise Residensi Sefina in Mont'Kiara and double-storey terrace homes Camellia in Serene Heights in Bangi; and in the Southern region, double-storey terrace homes at Aspira LakeHomes phases 1 and 2, and affordable high-rise residences, Denai Nusantara, both in Iskandar Puteri. For 2020, we expect the delivery of more landed terrace homes, with the completion of Aspira LakeHomes phase 3 and Serimbun in Iskandar Puteri, together with phase 1 of Dahlia and Eugenia in Serene Heights in Bangi.

Land Acquisition and Divestment

In December 2019, UEM Sunrise completed the divestment of the Mayfair site. The decision to cease the sale of Mayfair properties was in response to the changing property market in Melbourne. This affected Mayfair's target market, who were mainly downsizers looking for a more luxurious ambience with a unique product offering. As we were unable to commence construction by the targeted date of mid-2019, we conducted an assessment and decided to abort the development and divest the site.

The contracts signed with the apartment buyers were terminated and their deposits returned with interest. The site, together with its existing structure located at St Kilda Road, was sold to ACME Co. No. 4 Pty. Ltd., a trustee for Recap V Management No. 5 Trust, under the care of SC Capital Partners Pte. Ltd., Singapore for AUD107 million and subsequently contributed RM305 million to our FY2019 revenue. The sale allowed us the opportunity to unlock the value of the site at a net disposal gain of AUD19 million and free up cash to enable the pursuit of other investments and venture prospects.

In Iskandar Puteri, we entered into a non-strategic land sale of approximately RM22 million in addition to a disposal of a plot of land in Afiat Healthpark for RM13 million. We also sold a total of five developed industrial plots in our flagship industrial park, Southern Industrial & Logistics Clusters (SiLC), amounting to RM42 million. Four of the plots were disposed of to Wilmar Greenfarm Food Industries Sdn. Bhd. (Greenfarm), a subsidiary of Wilmar International Limited of Singapore, Asia's leading agribusiness group. Greenfarm is one of the pioneer companies in the production of vegetarian food and its investments in SiLC will potentially drive Johor's agribusiness industry and create employment opportunities in Iskandar Puteri.

We also rebalanced our landbank portfolio by reducing our exposure in Desaru Coast, Johor from 678.7 acres to 228.1 acres. In addition, we increased our involvement in retail development in Puteri Harbour, when we acquired 13 strata parcels together with accessory parcels at Somerset, a family entertainment centre and a double-storey open-sided pergola for RM145 million from TAR&H. The arrangement was inked in August 2019 and the assets were handed over to UEM Sunrise's subsidiary, UEM Sunrise Nusajaya Properties Sdn. Bhd., the following month.

Moving forward, land sales and divestment of non-strategic lands and assets will remain an important strategy for UEM Sunrise, as they provide us the opportunity to pursue other landbanks and properties to rebalance our portfolio.

Other Significant Updates

In Australia, we are pleased with the performance of both Aurora Melbourne Central and Conservatory. The 88-storey Aurora reached its structural peak on 4 April 2019, making it the tallest building in the Melbourne Central Business District - it is currently at a towering height of 289 metres AHD (Australian Height Datum) above sea level.

The settlement of Aurora's final separable portions made it possible for us to settle all related loans by October 2019. In the case of Conservatory, we fully settled its related loans in March. To date, Aurora Melbourne Central, which is 100% taken up, has a 97% settlement rate, and Conservatory, which is fully sold, has a settlement rate of 90%. For Aurora Melbourne Central, in addition to the residential component, we maintain ownership of the retail component worth approximately AUD32 million.

In September 2019, both UEM Sunrise and Ascendas Australia Hotel Trust (Ascendas) decided to mutually terminate the Contract of Sale for the serviced apartment component of the Aurora Melbourne Central development. This was due to disagreements on specifications of certain aspects relating to the properties. Ascendas executed the contract in December 2015 to acquire the properties at a purchase price of AUD120 million. Fortunately for UEM Sunrise, a replacement purchaser was already interested in the properties. In November, we entered into a Contract of Sale with Scape. The purchase price was AUD125 million. The contract was originally planned for completion towards the end of April 2020, but was extended for another six months to October 2020 due to COVID-19.

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

AWARDS

THE EDGE PROPERTY DEVELOPMENT EXCELLENCE AWARDS (TEPEA) 2019
- Top 10 Best Developer – 5th Position

THE EDGE BILLION RINGGIT CLUB & CORPORATE AWARDS 2019
- RM3B and Above Market Capitalisation (Property) – Highest Growth in Profit After Tax Over Three Years

MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2018
- Industry Excellence Award - Property

PROPERTY INSIGHT PRESTIGIOUS DEVELOPER AWARDS
- Best Integrated Development: Radia Bukit Jelutong (Sime Darby Sunrise Berhad, a 50:50 JV project with Sime Darby Property Sdn. Bhd.)
- Best Serenity Living Development: Estuari Puteri Harbour
- Top 10 Developer: UEM Sunrise Berhad
- CEO of The Year (Anwar Syahrin Abdul Ajib, UEM Sunrise Berhad)

iPROPERTY DEVELOPMENT EXCELLENCE AWARDS (IDEA) 2019
- Top 10 Best Developer – People's Choice Award

PROPERTYGURU ASIA PROPERTY AWARDS GRAND FINAL 2019
- Best Apartment Development (Victoria): Aurora Melbourne Central
- Best Apartment Architectural Design: Conservatory
- Best High-Rise Condo Architectural Design (Asia): Conservatory

PROPERTYGURU ASIA PROPERTY AWARDS
- Highly Commended Best High End Condo (Klang Valley) Award (Residensi Solaris Parq)
- Highly Commended Best Township Development (Iskandar) Award (Gerbang Nusajaya)
- Special Recognition for Building Communities Award (UEM Sunrise Berhad)

EDGEPROP MALAYSIA'S BEST MANAGED PROPERTY AWARDS 2019
- Silver Award for Below 10 years Multiple-Owned Strata Residential Category
- Gold Winner for Above 10 years Multiple-Owned Strata Residential Category (Mont'Kiara Astana)
- Gold Winner for Above 10 years Multiple-Owned Strata Residential Category (Mont'Kiara Pelangi)

We at UEM Sunrise embarked on an extensive rebranding exercise to discover the best way to connect with all our stakeholders throughout our business operations.

Brand Enhancement

As part of our transformation journey, we at UEM Sunrise embarked on an extensive rebranding exercise to discover the best way to connect with all our stakeholders throughout our business operations. We believe that to differentiate ourselves, we need to move away from the mindset of a brick and mortar industry, to one that encapsulates emotive and consumer-centric messaging.

We started from the ground up, facilitating internal brainstorming sessions, surveys, focus groups and interviews with consumers, a key step in developing the tagline "Find Your Happy". To better understand our customers, we applied psychographics in the process of identifying our customer demographics. Subsequently, we conducted a quantitative survey, which identified five distinct audience segments, from which we tailored specific communications for each group, based on the "Find Your Happy" theme.

This theme was selected because we recognise that the pursuit of happiness is universal across all walks of life, and we seek to position ourselves as a representation of this pursuit for our customers. More importantly, it extends beyond individuals, contributing to the happiness of others. Thus, in "Find Your Happy", we establish a mindset and a journey, and we support this further by aligning the tagline with our brand values of Caring, Honest, Involved, Enthusiastic and Fun-loving (CHIEF).

For our rebranding exercise to be sustainable, and beyond cosmetic, we cascaded, and more significantly, socialised the values across the organisation. Our branding team worked closely with all employees through various workshops and engagement sessions to propagate this new brand identity. We designated all our staff as CHIEF Happiness Officers, unifying the tagline with a customer-first mindset, to ensure all encounters are joyful and happy. When our employees embrace the values wholeheartedly, we believe it will impact our customers, and in return, reward our employees with happiness as well.

Moving forward, we acknowledge that the UEM Sunrise brand must evolve along with consumer demands and marketing trends that are increasingly seeking a more personal approach, combined with consumer-centric narratives and sustainability considerations.

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

TRANSFORMING THE DELIVERY ENGINE

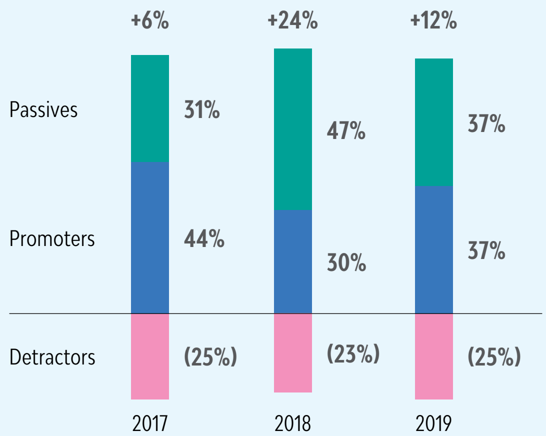
Customer Experience

We are committed towards maintaining the highest levels in customer satisfaction and achieved an overall score of 75% in our annual Customer Satisfaction Survey for 2019, a slight drop against our performance in 2018 of 77%. The survey focused on corporate reputation, product quality and offerings and overall customers' experience. The target sample was existing UEM Sunrise customers and potential customers we interacted with throughout 2019. Additionally, we have consistently received positive Net Promoter Scores (NPS) since we began conducting these measurements in 2017. The NPS performance indicates our customers' willingness and enthusiasm in recommending UEM Sunrise to others.

In parallel and to ensure optimal customer service, our Customer Contact Centre expanded from 4 to 10 phone lines, and now offers more bandwidth for customers looking for additional features including project handover appointments, defects management and general enquiries. We also maintain our customer care email and accounts across multiple social media platforms, in addition to receiving walk-in appointments at our Customer Lounges - One Stop Centre. Furthermore, to reward our most loyal customers, we have made enhancements to our Trésor loyalty programme, expanding the benefits package across the membership tiers.

NPS Comparison

Percentage, %



Definitions:
- Promoters: person gave a score of >8 out of 10
- Passives: person gave a score between 7 and 8 out of 10
- Detractors: person gave a score of <7 out of 10

Operational Excellence

As a key part of our transformation journey, we conducted process optimisation throughout our business operations to ensure efficient and effective employment of our capitals. In 2018, we conducted a thorough identification of our internal challenges and undertook a comprehensive review to implement robust and sustainable improvements across the organisation. Thus far, we have delivered operational enhancements within the entire business, allowing us to work faster and smarter to achieve greater results.

Area of Focus	Initiative
Performance	• Introduced the OpEx (Operational Excellence) Charter across selected projects to track improvements to elements of time, cost and quality • Implemented Results-Action-Review (RAR), which tracks key metrics such as sales, finance, procurement and safety - this promotes transparency and enables quicker decision-making between project team leaders and Management • Employed a standardised template to ensure all relevant information and data is captured to ensure a more efficient process when submitting documents to authorities for development projects
Procurement	• Revamped the overall procurement and tendering process, benchmarked against industry best practices with a focus on good governance • Established a standard timeline in the tendering process to ensure common understanding across all business units involved to reduce time wastages • Increased the robustness of our accreditation and assessment process for our vendors

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

Area of Focus	Initiative
Design Management	• Defined a set of design criteria that will be adhered to by all teams before a project is approved • Produced a comprehensive document that details the best practice in terms of design standardisation
Finance	• Standardised the feasibility study template • Implemented a Service-Level Agreement (SLA) for timely payment to our contractors
Quality Assurance, Safety, Health and Environment (QASHE)	• Standardised QASHE-related key performance indicators (KPIs) for all development teams
Human Resources	• Introduced a lean working structure called the Optimum Teaming Model to improve accountability
Governance	• Optimised Discretionary Authority Limits (DAL) to enable more efficient decision-making

Product Development

In 2018, we established a Product Design and Development unit. The team supports our business units by project managing Building Information Modelling (BIM) implementation and conducting product research & development and design management. This includes product standardisation, product value management and technical consultation on architectural, structural, landscape, mechanical and electrical elements in our project developments. Overall, the Product Design and Development team ensures that UEM Sunrise's products are designed to meet customer demands and continuously remain exciting, desirable and relevant to the market.

Our People & High-Growth Culture

At UEM Sunrise, we recognise that the right people, with the right skills and the right mindsets, are key towards achieving our business objectives. In 2019, we implemented the New Operating Model to transform UEM Sunrise into a dynamic and lean organisation, with a view to strengthening market presence and our customer base, in addition to reducing cost and improving operational efficiencies.

This involved internal restructuring, redefining roles and mapping the right talent with the right capabilities, while cultivating a high-growth culture. Through this exercise, we sought to increase productivity by enhancing cross-functional collaborations and leveraging the use to technology and digital tools.

We maintain strong engagement with our employees through the recognition of their performance, well-being and personal and professional growth, and by providing positive work environment. This is further supported by strict compliance with human rights standards, which are summarised in our Code of Conduct and apply to all employees, including security personnel. Our business partners are also expected to follow our standards.

In 2019, UEM Sunrise invested RM1.4 million on 86 training and development programmes, equivalent to 9,917 training hours, across face-to-face coaching and both external and internal workshops on technical, business and leadership aspects. Employees are provided corporate memberships to digital learning platforms, allowing flexible access to learning material encompassing thousands of courses across technical and functional competencies.

As part of our engagement and retention initiatives, UEM Sunrise has embarked on the expansion of flexible working hours to enhance employees' wellbeing and relaxation of the office dress code to allow a smart casual dress code, offering flexibility to employees. We also support employees' involvement in sports and recreation through the UEM Sunrise Sports & Recreation Club (UEMSSRC), and encourage corporate social responsibility (CSR) efforts through our titanSquad and the embedding of corporate citizenship in our individual scorecards.

COMMITMENT TO SAFETY

At UEM Sunrise, we are committed to upholding the highest safety standards to ensure safe, healthy working conditions and accident-free workplaces for employees and contractors. In 2019, we introduced a new Quality, Health, Safety & Environmental (QHSE) Policy, which applies to all workers, contractors, sub-contractors and all persons present at our premises. For 2019, we are proud to report we maintained our zero-fatality record.

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

WEATHERING THE STORM

In 2019, we raised a total of RM429 million from land disposals with a target to realise close to RM300 million in 2020.

At UEM Sunrise, we continue to manage our finances prudently and responsibly through strong balance sheet and cashflow management. Prior to the COVID-19 pandemic and ensuing MCO, the Group had set 2020 sales and GDV targets at RM2.0 billion, respectively. However, we are sensitive to the sentiment in the market in this current environment and realise that purchasing property may not be a priority for customers. Furthermore, the MCO has affected our ability to physically conduct sales and marketing activities. We anticipate sales and project launches for 2020 to be affected by the economic uncertainty and will consider re-evaluating our sales and GDV targets as events unfold.

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At 92 storeys high, Aurora Residences is one of the tallest buildings in all of Melbourne

Our stable financial position offers us a strong foundation to weather the storm ahead. Following the settlement of UEM Sunrise's projects in Australia, total borrowings declined by 28% in FY2019 compared to FY2018. As a result, our overall gearing improved. Driven by financial discipline, UEM Sunrise maintains a good credit rating and has access to unutilised SUKUK of RM1.1 billion. In keeping the balance sheet light, engagements with more strategic partners will enable us to leverage on each other's competencies for mutual benefit. This will allow the sharing of liabilities and working capital, thus weighing less on the Group's balance sheet.

A strong cash balance is necessary to ensure continual business operations for effective and timely delivery to our stakeholders. This will also empower us to seize opportunities and participate in potentially high-return projects across various property businesses. This includes investment in strategic landbanks with quick turnaround times to create the required unbilled sales funnel. In March 2019, the Group acquired a 2.9-acre plot of in Mont'Kiara and completed the deal in August 2019. We plan to launch a new development on the land, Allevia, towards the end of 2020.

Primarily driven by loans and commitments to landbanking payments, our cash balance declined in FY2019. Nevertheless, proceeds from land sales and divestments have allowed us to free up cash for other investments and should support the Group's financial position in an increasingly challenging environment. In 2019, a total of RM429 million was raised from land disposals with a target to realise close to RM300 million in 2020. Going forward, we have earmarked several assets for disposals, strategic and non-strategic alike. Cash generated from the disposal of non-strategic lands is key, as the proceeds will be utilised towards funding landbank acquisition. At UEM Sunrise, we make a point not to gear up to acquire land and use internally generated funds instead. The Company also has RM1.8 billion of unbilled sales as of FY2019 which is expected to be recognised over the next 1 to 1.5 years.

Following the success of our 2018 smart spending initiative, we continued to promote the initiative among our employees in 2019. This resulted in actual savings of 20% in general and administration as well as selling and distribution expenses, compared to our 2019 budget, amounting to approximately RM35 million in savings. We hope to continue the initiative in 2020 and create the reserves required to face the current challenging operating environment.

To drive returns from UEM Sunrise JVs, we have improved our JV management by streamlining and strengthening portfolio management, executing turnaround plans and continuing to nurture potential JVs.

THIS INCLUDES CATEGORISING OUR INVESTMENT PORTFOLIO BASED ON FOUR FOCUS AREAS:

Nurture | **Turnaround** | **Reassess** | **Exit/Dispose**

MANAGEMENT DISCUSSION & ANALYSIS
PROGRESSING OUR STRATEGY

PUSHING THE BOUNDARIES

Technology and "Go Digital"

At UEM Sunrise, we continuously anticipate our customers' evolving needs through our products, services and initiatives, including investments in technology and digital ventures. We embrace technological solutions and digital tools to enhance convenience for our customers and strive for operational excellence across our business operations.

To improve our end-to-end customer journey, we rolled out the hUb mobile app, our digital customer self-service channel. Launched at "The Future of Living by UEM Sunrise" event in June 2019, hUb allows users to obtain selected services and information, including information on our latest property launches and Trésor Loyalty Programme. It is a key milestone in the UEM Sunrise digital transformation journey, offering registered users a more immersive experience. Since its launch, hUb has garnered over 2,215 downloads. Moving forward, we target to expand the capacity and capability of hUb to provide additional services across the property management cycle.

Towards achieving operational excellence, we are embracing a digital transformation in our business operations, spearheaded by implementing unified sales and customer experience tools and automating our end-to-end project development life cycle. We automated our customer relationship management (CRM) system through Salesforce in December 2019, to enable a cohesive customer journey across marketing, sales processes and loyalty and after sales services. This allows us to better manage leads and conversion to sales and provides better targeting through data-driven analytics and insights. We automated our project management system through Primavera in August 2019, covering the entire project development life cycle, from land acquisition, concept and detailed design to project launch, construction and handover. This has enhanced our project management and controls by providing centralised project information which is accessible to all stakeholders. Overall, automation of our processes has improved our efficiency and effectiveness in delivering our products and services to our customers.

Our digital efforts also support customer engagement for our retail business. This was anchored by the launch of the Publika website in October 2019, which features a directory of the merchants, floor plan, events and promotions, among others. The website obtains an average of 10,000 visitors monthly and we plan to enable our rewards app in 2020 to offer an enhanced customer experience. We also marked another milestone for Publika by implementing a visitor counting system with basic AI elements which can provide insights about our customers. This basic information (gender, ethnicity and mood) will help us bring in the right merchants for our customers in the future.

In addition, we launched an Augmented Reality (AR) app, Publika Raya AR, in June 2019, conceptualised on the classic Senandung Express train that comes to life using smart devices. The app gained traction during the Hari Raya festive period, garnering over 300 users within a week. These initiatives are targeted at increasing footfall and driving revenue for Publika, a key retail asset of UEM Sunrise in the Central region.

UEM Sunrise has embarked on a "Go Digital" initiative involving various collaborations with external partners to provide solutions to enhance the convenience of customers. As a last-mile solution in improving the sales process with our customers, we collaborated with Grab to offer free ride vouchers to our sales galleries and Loanplus to enable quick loan checking. To ease parking payment at our retail assets, we piloted the implementation of the JomParking app in Arcoris Mont'Kiara, allowing for simple, secure and quick cashless payments. We plan to extend this facility to all our retail assets in the future. For home security, our products in the Southern region are equipped with smart security services, through InneoNusa Sdn. Bhd, our JV with Telekom Malaysia Berhad and Iskandar Investment Berhad. The service enables nationwide monitoring and 24/7 support for the safety and security of all its users, as well as smart services. To provide transport solutions to visitors and tourists in Puteri Harbour, we have collaborated with the SoCar car-sharing network. This improves mobility in this new township, increasing users' access to key facilities and tourist attractions in the surrounding areas. In addition to enhancing customer experiences, these collaborations allow us to support local start-ups to promote a vibrant start-up ecosystem in Malaysia.

Moving forward, UEM Sunrise seeks to evolve and provide services beyond the scope of property development, aimed at enhancing lifestyles and sustainability in most aspects of our customers' lives. A digital arm will be established to incubate and oversee this new venture, where technology will be optimised to enable efficient operations and to explore new revenue streams within the real estate space. Ultimately, we strive to ensure relevance in the new business environment and safeguard our business viability, competitiveness and sustainability amid operating within the new normal.

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Embracing innovation with the launch of the hUb mobile app

Commitment to Sustainability

At UEM Sunrise, we continue to uphold our commitment to sustainability, ensuring we create broad economic value, operate in an environmentally responsible manner and undertake good corporate citizen practices. Overseen and governed by the Board Governance & Risk Committee, we strive to implement our Sustainability Policy, which is also aligned with the United Nations Sustainable Development Goals. In addition, we regularly engage with our stakeholders against a backdrop of comprehensive material issues that have been identified as having the most significant impact on our business.

In our recent launches, we have taken extra efforts to include elements of sustainability to cater to the growing demand for environmentally responsible developments. In our Aspira Gardens in Gerbang Nusajaya, Johor, the street lighting is solar-powered and all homes are solar panel ready, thus reducing overall emissions. Aurora Melbourne Central has 784 bicycle parking spaces, which is more than any other development completed in the city over the past five years.

Further details can be found in our Sustainability Statement on page 60 as well as our Sustainability Report 2019.

OUR RISKS LINKED TO STRATEGY

NO.	RELATED RISKS	MITIGATION ACTIONS	LINK TO STRATEGY
1.	**COMPETITION RISK** The property development market continues to be highly competitive	• Undertake a comprehensive annual strategic plan review • Formulate brand enhancement strategy and improve product value proposition • Continuously identify operational improvements and strengthen the customer experience programme	Defending the Topline Pushing the Boundaries
2.	**OPERATIONAL RISK** Failure to deliver key projects efficiently could result in significant increase in cost and adverse customer response	• Strengthen project management capabilities via operational excellence initiatives • Embed the use of technology and digitisation to improve efficiency and productivity • Ensure that people, processes and operations are in compliance with all applicable laws and regulations	Transforming the Delivery Engine
3.	**LIQUIDITY RISK** Uncertainty about current and prospective earnings as well as the inability to efficiently meet present and future funding obligations when they are due	• Diligently monitor the sales funnel, inventory levels and development plans to ensure adequate cashflow requirements • Maintain adequate buffer of liquidity throughout the year • Continue to monitor borrowing and repayment maturity profiles and financial covenants	Weathering the Storm
4.	**CONCENTRATION RISK** A large portion of the landbanks are in the Southern region, limiting the ability to diversify revenue base geographically	• Continuously make a concerted effort to diversify landbanks via assessing various opportunities to acquire strategic lands in the Central region • Divestment of non-strategic land plots	Defending the Topline
5.	**PEOPLE RISK** Having the right talent with high-growth mindsets is vital for business sustainability and success	• Reviewed the organisational structure to ensure that it is aligned to the business as well as operational requirements • Offer comprehensive learning and development to all staff to grow and develop themselves, driven by the business strategy • Implement structured leadership and talent programmes to nurture emerging leaders and employees with high potential	Transforming the Delivery Engine
6.	**CORRUPTION RISK** Exposure to the Corporate Liability provision under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009	• Established the Integrity & Governance Unit (IGU) under the Governance, Risk & Compliance Department • Developed the Integrity & Anti-Corruption Plan (IACP) which outlines the commitment and structured initiatives to uphold integrity at all times • Organised Integrity Day events which included the signing of the Corruption-Free Pledge, launch of a revised Code of Conduct and a brand new Code of Conduct for Business Partners	Transforming the Delivery Engine

MANAGEMENT DISCUSSION & ANALYSIS
FINANCIAL REVIEW

Total revenue for the period under review increased by 42% to RM2.9 billion compared to RM2.0 billion in FY2018, mainly driven by the completion and settlement of Aurora Melbourne Central and the Conservatory, both in Melbourne, Australia which contributed a total of RM1.6 billion towards total revenue compared to RM662 million in FY2018.

Property development activities accounted for 81% of our total revenue with 70% contributed by Aurora Melbourne Central and the Conservatory, followed by 16% by the Central region, mainly Symphony Hills in Cyberjaya, Residensi Solaris Parq in Mont'Kiara and Serene Heights Bangi. The remaining 14% was from the Southern region, mainly from mid-market double-storey homes in Serimbun and Aspira LakeHomes in Iskandar Puteri, as well as the affordable high-rise residences at Denai Nusantara. The Group also recognised RM429 million from land disposals.

Other revenue, which comprised property investment, asset and facilities management and project management, improved by 14% to RM123 million from RM108 million in FY2018, partly contributed by the full operation of Hyatt House Kuala Lumpur Mont'Kiara in 2019.

PATANCI for the period under review was RM224 million. The 20% decrease from FY2018 of RM280 million was mainly due to a one-off full impairment of RM51 million from our 40% equity interest in the Bio-XCell development in Iskandar Puteri, staff separation scheme of RM26 million and unrealised foreign exchange losses, among others. The remaining 60% of Malaysian Bio-XCell Sdn. Bhd.. is held by Biotechorp Investment Holdings Corporation Sdn. Bhd. Excluding these one-off costs, PATANCI was RM303 million, which was 2% higher than FY2018.

Our unbilled sales dropped by 59% from RM4.4 billion in FY2018 to RM1.8 billion in FY2019 pursuant to the settlement of Aurora Melbourne Central and the Conservatory. This amount will be recognised over the next 1 to 1.5 years. We will be cautious in our product launches in the year ahead in view of the prevailing challenging market conditions.

Property development activities accounted for

81%

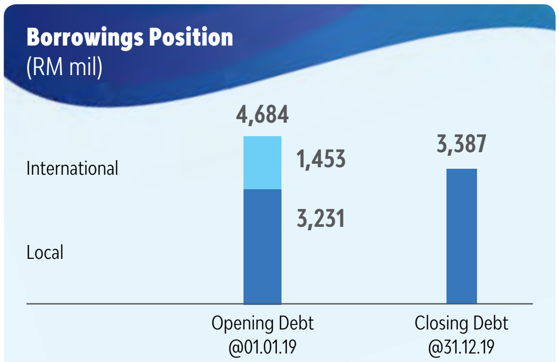
of our total revenue with 70% contributed by Aurora Melbourne Central and the Conservatory

Total borrowings declined by 28% from RM4.7 billion in FY2018 to RM3.4 billion in FY2019 following full repayment of the Group's international debt amounting to RM1.5 billion, mainly due to the completion of our Australian projects. The Group's gross and net gearing ratios improved from 0.66x and 0.50x as at FY2018 to 0.46x and 0.32x as at FY2019, respectively.

The Malaysian Rating Corporation Berhad (MARC) reaffirmed our rating of MARC-1IS/AA-IS with a STABLE outlook for our Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) programmes under the Shariah principle of Murabahah in December 2019. The Shariah-compliant bonds, otherwise known as SUKUK, have a programme limit of RM2.0 billion with a sublimit of RM500 million on the ICP issuances. The total unutilised SUKUK balance was RM1.1 billion after the ICP issuance of RM200 million on 10 April 2020 and RM235 million IMTN on 30 April and 18 May 2020. The unutilised balance should be sufficient for the Group's funding needs in the foreseeable future.

Cash balance declined from RM1.08 billion as at the end of FY2018 to RM1.06 billion as at the end of FY2019. This was mainly due to loan repayments including part payment for the 72.7-acre land acquired for Kiara Bay and the acquisition of a 2.9-acre plot of land in Mont'Kiara for Allevia.

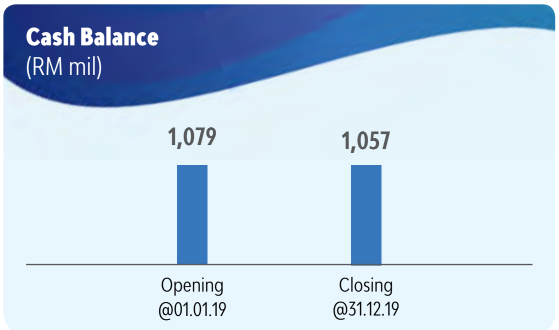
STRENGTHENED BALANCE SHEET



Gearing (times)	0.66x	0.46x
Net Gearing	0.50x	0.32x

MANAGEMENT DISCUSSION & ANALYSIS
FINANCIAL REVIEW

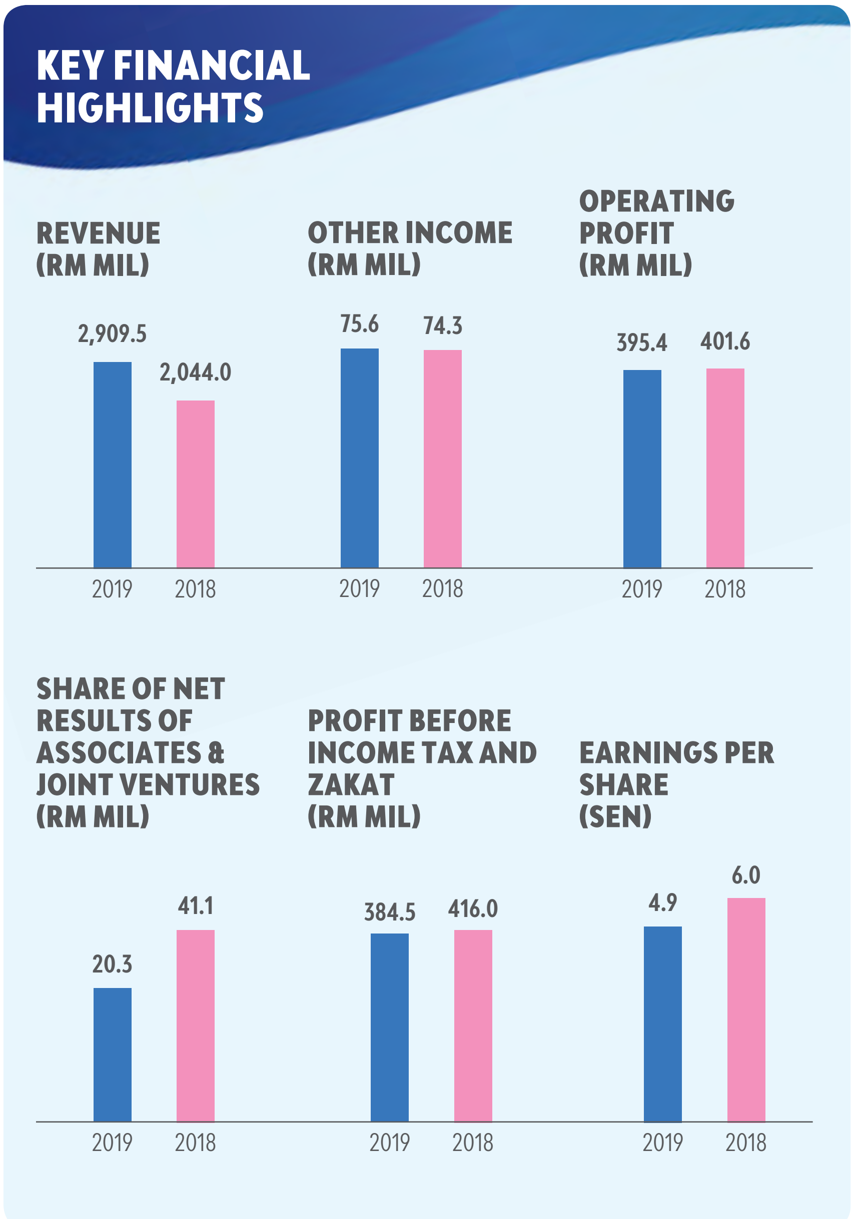
The Group continues to consolidate cash through asset divestments. In 2019, we raised a total of RM429 million from land disposals with a target to realise close to RM300 million in 2020. The significant transaction in 2019 was from the divestment of our Mayfair site in Melbourne for RM305 million (or AUD107 million), following the soft property market environment in Melbourne and the subtle interest for an unprecedented product such as Mayfair. After a thorough assessment was conducted, we decided to cease Mayfair and divest the site. This helped to free up cash for other investments and prospects.



In September 2019, we terminated the Contract of Sale with Ascendas Australia Hotel Trust for the en-bloc disposal of 252 serviced apartment units, 10 car park lots and retail space for AUD120 million. We managed to subsequently sell the properties at a higher price of AUD125 million to Scape, in November 2019. The disposal, originally scheduled for completion on 30 April 2020, is now extended to 30 October 2020 through a Deed of Variation with Scape, executed on the same date. A non-refundable deposit of AUD12.5 million was received in April 2020. We expect to receive another non-refundable payment of AUD12.5 million towards the end of May 2020. Full payment is expected to be received on the extended date.

On the local front, we signed two separate agreements with two local companies for pocket lands in Iskandar Puteri. The disposal of parcel J measuring 2.8 acres in Afiat Healthpark to Super Evergreen Automobile Sdn. Bhd. for RM13 million was completed in March this year, while the disposal of PTD 206379 measuring 10.5 acres to Distinctive View Sdn. Bhd. for RM25 million is expected to be completed in the third quarter of this year. We will continue to source for buyers for our 65-acre land in Kajang and 1.7-acre land in Seputeh, Kuala Lumpur.

In April 2020, UEM Sunrise redeemed 123.3 million out of the 792.5 million UEMS RCPS issued to UEM Group at a redemption value of RM150 million or RM1.22 for each UEMS RCPS. The UEMS RCPS were issued in October 2015. The balance 669.2 million UEMS RCPS will be converted into new UEM Sunrise ordinary shares after the maturity of the UEMS RCPS on 29 October 2020 at a conversion price of RM1.60 per UEMS RCPS for one ordinary share. UEM Group has been supportive of UEM Sunrise's expansion and growth. The subscription of the UEMS RCPS in October 2015 allowed us the flexibility in terms of timing and resources to expand our business operations both locally and abroad. Our successful projects abroad in Vancouver, Canada back in 2010, and now in Melbourne, Australia are testaments to our track record as a reputable international developer.



MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS REVIEW

Property Development

Central Region

Residensi AVA, Kiara Bay

The highlight of 2019 was the unveiling of Kiara Bay, UEM Sunrise's newest integrated mixed development in Kuala Lumpur, spanning 72.7 acres of land. Its first development component was a two-tower residential block launched in November 2019. Residensi AVA comprises 870 units of serviced apartments, with a GDV of RM656 million. Proudly presenting seven different layouts of 2+1, 3 and 4 bedrooms, ranging from 813 to 1,285 square feet, it is scheduled for completion in 2024. It is targeted at second-generation Kepong residents and priced from RM528,000 per unit. Residensi AVA offers various liveable features enabling urban eco-living for all ages and life stages and includes multiple recreational facilities such as a 50-metre infinity edge lap pool, half basketball court, yoga and Tai Chi deck, a wading pool with water play, kid's lawn and games room. In addition, residents have direct access to a sky deck, dining pavilion and retail spaces for neighbourhood conveniences and services.

Kiara Bay is accessible through major expressways and roads and will be in proximity to two mass rapid transit (MRT) stations on the Sungai Buloh-Serdang-Putrajaya line. We also commenced construction of a 1.3-km internal road to connect to Jalan Kepong. This will improve connectivity as the road will lead to the Kepong Baru and Jinjang MRT stations on the Sungai Buloh-Serdang-Putrajaya line, benefitting our future residents as the stations will be five minutes away from Kiara Bay. Our partner, Mega Legacy Equity Sdn. Bhd., has also informed us that plans for the first interchange from the MRR2 have been submitted and construction is targeted to commence before year-end.

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KIARA BAY is a 72.7-acre masterplan development and an awe-inspiring eco-living destination

Applying our competencies and experience as master developers for Iskandar Puteri and Mont'Kiara, we have also taken steps to create a connected ecosystem by joining forces with AEON Big (M) Sdn. Bhd., Starbucks Malaysia and four prominent 5G providers including Telekom Malaysia Berhad and Celcom Axiata Berhad, in collaboration with WeChat as the technology platform provider in Kiara Bay.

These initiatives should pave the way for Kiara Bay to be the new heartbeat of Kuala Lumpur.

Projects Still Ongoing	Description	Acreage	Total Units	Total GDV (RM mil)
Serene Heights Bangi	Mid-market residential with landed double-storey terraced, semi-detached, bungalows, condominiums and commercials in Bangi.	448.0	4,412	3,694
Residensi Solaris Parq	Two 41-storey residential towers in Dutamas.	4.7	576	765
Kondominium Kiara Kasih	40-storey affordable residential development (RUMAWIP) with condominium facilities in Mont'Kiara.	2.1	719	216
Residensi Astrea	36-storey low-density residential tower in Mont'Kiara.	2.4	240	323
Kiara Bay	Integrated mixed development in Kuala Lumpur adjacent to Kepong Metropolitan Park.	72.7	13,801	15,000
Radia Bukit Jelutong (JV with Sime Darby Property Berhad)	Mixed residential commercial with serviced apartments, retail shops and strata offices in Bukit Jelutong.	21.0	1,028	2,008
Seremban Forest Heights (JV with MCL Land Ltd. of Singapore)	Mid-market mixed residential with single- and double-storey terraced, bungalows, shop offices and retail in Seremban.	488.0	2,839	2,223
	TOTAL	**1,038.9**	**23,615**	**24,229**

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS REVIEW

Projects Recently Completed	Description	Acreage	Total Units	Total GDV (RM mil)
Residensi 22	Four 38-storey residential towers with spacious built-up units in Mont'Kiara.	6.7	534	971
Symphony Hills	Residential with terraced houses, twin villas, townhouses, condominiums and clubhouse facilities in Cyberjaya.	98.0	1,216	1,266
Residensi Sefina	35-storey low-density residential tower in Mont'Kiara.	3.0	245	307
Arcoris	High-rise mixed development with 18-storey serviced residences, Hyatt House Kuala Lumpur Mont'Kiara Hotel, SOHO and business units with retail in Mont'Kiara.	6.0	1,296	1,258
Summer Suites and Summer VOS	High-rise commercial with two 30-storey office towers and two levels of retail, swimming pool, gym, function room, landscape deck, food court and F&B outlets in Kuala Lumpur City Centre.	1.7	879	471
	TOTAL	**115.4**	**4,170**	**4,273**

Collaborations With Strategic Partners

Radia Bukit Jelutong is a 21-acre mixed development with Sime Darby Property Berhad in Bukit Jelutong, Selangor. Boasting a unique hand fan-shaped design inspired by a fusion of Mediterranean and Asian themes, the RM2.0 billion development comprises serviced apartments, retail shops and strata offices totalling 1,028 units and retail spaces with a gross floor area of about 2.7 million square feet. We also opened up two FIFA-sized international standard football fields in January 2020, in collaboration with Arena Legacy Sdn. Bhd. (Arena Legacy) in our efforts to bring footfall to Radia Bukit Jelutong's retail and offices. The fields are located in phase 5 of Radia Bukit Jelutong. The football fields are temporary and will only be available for the next three to four years.

Seremban Forest Heights is a mixed residential township development spanning 448 acres in Seremban, Negeri Sembilan in collaboration with MCL Land Ltd., a leading property group in Singapore. Located on the outskirts of the city centre, the RM2.2 billion development is located close to many infrastructures and social amenities including Tuanku Jaafar Hospital, Seremban's largest government-owned hospital. Properties available include link houses, bungalows, shop offices and retail.

Launches in 2020

Solaris Parq is an integrated mixed development with a total estimated GDV of RM2.8 billion comprising an estimated 1,590 residential units, retail and offices on an 18.8-acre piece of land in Dutamas. There will also be a 2-acre park in the development. The first phase of Solaris Parq was Residensi Solaris Parq, which was launched in October 2017. Subject to market conditions in the near term, we plan to launch a two-tower office block in the third quarter of 2020.

Building on our strong portfolio in the Mont'Kiara area, UEM Sunrise is targeting to launch high-rise residences, named Allevia, also in the third quarter of 2020. Planned with bigger built-ups for each unit, Allevia is expected to trigger the interest of property buyers who are on the lookout for bigger high-rise units in the Mont'Kiara locality. Located next to Residensi Sefina, its estimated GDV is close to RM300 million.

We will also be launching new phases of landed mid-market residences in Serene Heights Bangi.

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Serene Heights is a 448-acre future-ready township built on freehold land in Bangi

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Gerbang Nusajaya

As our next growth catalyst, we continue to develop Gerbang Nusajaya to serve as the business and economic engine of Iskandar Puteri in Johor. With 4,551 acres of freehold land, this development features a range of residential precincts, assorted commercial and retail zones, a technology park and an integrated motorsports facility. Our aim is to leverage on the close proximity to Singapore and attract investors and high-value businesses, among others, to set up in Gerbang Nusajaya. The potential development of the HSR station in Gerbang Nusajaya, the last stop in Malaysia before the line enters Singapore via Tuas, will drive growth for housing demand and job employment opportunities. At this point in time, we have yet to receive any formal directive as to the status of the project. This does not, however, stop us from continuing to develop Gerbang Nusajaya as per our approved masterplan. Construction work for key areas is currently ongoing. This includes infrastructure developments to improve connectivity and the launch of sought-out residential precincts. These keep the development momentum going as we stand guided by the Government on the decision of the HSR development.

Since 2014, much has been spent on infrastructure with the intention of transforming Gerbang Nusajaya into a sustainable, well connected and established township. The Gerbang Nusajaya Interchange, which connects to the Linkedua Expressway and Tuas, is under construction and slated for completion before the end of 2020. We have also collaborated with Mulpha International Berhad, the developer of the adjacent Leisure Farm, to construct and upgrade roads in Gelang Patah and Gerbang Nusajaya.

In continuing the success of Aspira LakeHomes, which was launched in 2016, we continued to launch more new properties under the Aspira portfolio in 2019, starting with Aspira ParkHomes and followed by Aspira Square which is a commercial development, and another landed residential development, Aspira Gardens. Aspira ParkHomes contributed the most to total sales in 2019. Plans to launch affordable residences, Gerbang Nusantara, are also underway but will likely be in 2021 and beyond.

LAUNCH DATES & GDV

Aspira LakeHomes
April 2016
GDV RM520 million

Aspira Square
August 2019
GDV RM77 million

Aspira ParkHomes
January 2019
GDV RM311 million

Aspira Gardens
December 2019
GDV RM108 million

Projects Still Ongoing	Description	Acreage	Total Units	Total GDV (RM mil)
East Ledang	Garden-themed luxury residential development featuring 31 landscaped gardens, link duplexes, twin villas, townhouses, bungalows, high-rise apartments, clubhouse and retail.	348.0	2,247	3,307
Nusa Idaman	Mid-market residential development with double-storey terraces, semi-detached, bungalows, high-rise condominiums and retail.	251.0	2,898	1,879
Nusa Bayu	Residential development for first-time homebuyers with mainly landed double-storey terraces.	258.0	2,927	1,192
Estuari	Premium superlinks, twin villas, villas and low-rise condominiums.	394.0	5,990	4,031
68° Avenue	Lifestyle commercial development of 2 to 3 shop offices opposite SiLC.	23.1	136	168
Aspira ParkHomes	Mid-market residential development with double-storey terrace houses in Gerbang Nusajaya.	43.1	452	311

Projects Still Ongoing	Description	Acreage	Total Units	Total GDV (RM mil)
Aspira Gardens	Landed residential development with ready solar panels and solar-powered street lighting in Gerbang Nusajaya.	19.9	118	108
Aspira Square	Gerbang Nusajaya's first commercial development located in the vicinity of Aspira LakeHomes and Aspira ParkHomes.	9.6	59	77
The Maris (JV with TAR&H group)*	Landed residential development of double-storey cluster homes, semi-detached homes, bungalows and villas in Desaru Coast.	228.1	2,002	2,888
Horizon Hills (JV with Gamuda Land Berhad)	Golf-themed residential and leisure development with nine themed-residential parcels and a 200-acre 18-hole golf course.	1,227.0	6,156	7,113
Emerald Bay (JV with BRDB Development Sdn. Bhd.)	Premier waterfront residential development comprising canal housing, waterfront villas, low-rise condominiums with beaches, islands and clubhouse facilities in Puteri Harbour.	107.0	1,649	3,515
	TOTAL	**2,908.8**	**24,634**	**24,589**

Projects Recently Completed	Description	Acreage	Total Units	Total GDV (RM mil)
Almãs	High-rise mixed commercial residential development comprising a 42-storey residential tower, 42-storey residential suites, 28-storey offices and 5-storey retail/shop offices in Puteri Harbour.	12.2	1,501	2,358
Aspira LakeHomes	Mid-market residential development with double-storey terraces overlooking a lake in Gerbang Nusajaya.	73.6	522	520
Denai Nusantara	Affordable residences with five 12-storey blocks - 1,109 three-bedroom units and 108 single-storey shoplots.	40.8	1,217	189
Serimbun	Mid-market residential development with double-storey terrace houses near Bukit Indah.	23.3	358	139
Teega	High-rise mixed commercial residential development comprising three 35-storey condominiums and serviced apartments with "Sky Park" and dedicated facilities in Puteri Harbour.	10.1	1,371	1,314
	TOTAL	**160.0**	**4,969**	**4,520**

* The above developments are all in Iskandar Puteri, Johor.

Collaborations With Strategic Partners

Horizon Hills is an exclusive gated and guarded precinct with over 1,200 acres centred around an 18-hole signature golf course and resort clubhouse flanked by the Iskandar Coastal Highway, a toll-free highway with direct connectivity to the Johor Bahru city centre and Lebuh Kota Iskandar. The RM7.1 billion development is jointly developed with Gamuda Berhad. Launched in April 2008, Horizon Hills boasts a variety of products: double-storey link houses, two- to three-storey semi-detached homes, bungalows, shop offices, condominiums and landed villas. As at the end of April 2020, a total of 4,864 units have been launched at an approximate value of RM5.5 billion.

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Horizon Hills is a 1,200-acre township featuring the luxury of hills, fairways, waterways, forest reserves and parks

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We will launch Senadi Hills, a new residential precinct near Horizon Hills within the vicinity of the Iskandar Coastal Highway featuring double-storey terrace homes with built-up sizes ranging from 2,090 to 2,400 square feet.

Emerald Bay in Puteri Harbour is a luxurious waterfront living space spanning 107 acres next to the Johor Straits showcasing a selection of stylish courtyard homes, elegant semi-detached units, expansive waterfront bungalows and condominiums, in addition to a three-storey clubhouse with swimming pool. These RM3.5 billion resort living residences feature contemporary architectural designs and inspiring luxurious finishes. 21% of the total development is made up of water bodies. Developed jointly with BRDB Development Sdn. Bhd., phase 1 of 82 landed homes was launched at a value of almost RM340 million.

Also in Puteri Harbour, we plan to improve the retail properties and theme park building we acquired from TAR&H group by enhancing the assets' overall design. Securing the right tenant mix will increase vibrancy and footfall in anticipation of unlocking Puteri Harbour's development potential in the long run. Through this JV with TAR&H group, we also rolled out our first residential development in Desaru Coast, The Maris, with a GDV of RM2.9 billion. The Maris has four other residential clusters, the last of which is expected to be launched in 2027. The first phase was Embun Residences which consists of double-storey cluster homes and was well received upon its launch in October 2019.

Launches in 2020

We plan to launch a series of mid-market landed residences in Iskandar Puteri in the second half of this year. We will launch Senadi Hills, a new residential precinct near Horizon Hills within the vicinity of the Iskandar Coastal Highway, featuring double-storey terrace homes with built-up sizes ranging from 2,090 to 2,400 square feet. Boasting a total GDV of RM323 million, we plan to launch close to RM215 million in value this year, primarily double-storey terrace homes, a small fraction of which will be Rumah Mampu Biaya Johor, Johor's version of affordable housing, and a commercial development. We will also continue to launch the latest instalment of Aspira ParkHomes in Gerbang Nusajaya.

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Emerald Bay in Puteri Harbour features a stylish selection of courtyard homes, elegant semi-detached units, expansive waterfront bungalows and picturesque condominiums

International

With our Aurora Melbourne Central and Conservatory projects in Australia completed and 100% sold, we look forward to our plans in Durban, South Africa.

We are planning to reactivate the development of Durban Point, located in the coastal city of Durban in South Africa, the largest and busiest port city in sub-Saharan Africa. Our land is strategically located along the Point Promenade overlooking the Indian Ocean and has the potential to transform Durban into an international business centre and tourist destination. We are also looking to firm up a new JV to develop the project and expect to finalise the JV agreement accordingly.

Retail and Commercial

Central

UEM Sunrise owns and operates various assets across the Central and Southern regions. Various placemaking activities and events are conducted at these sites, including festive celebrations for Raya, Chinese New Year, Deepavali and Christmas, in addition to environmental consciousness as well as health and wellness activities, allowing us to support civic engagement and community building.

A notable example of our retail assets is Publika in Solaris Dutamas, launched in 2010. Publika has established itself as a market leader in event spaces for art bazaars such as the Fuyoh Collectors Market, music festivals such as the Publika Jazz Festival and multidisciplinary discourse such as the Cooler Lumpur Festival. Publika is also renowned for the exclusively curated local brands across the retail spaces and F&B outlets, and art galleries. As part of our asset enhancement and rejuvenation initiative, we recently introduced island kiosks for vendors and urban lounges, community balconies and artrow decks for visitors. We are continuing these efforts, and have identified additional refurbishments to enhance Publika's appeal to visitors and prospective tenants.

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Publika Shopping Gallery combines art and culture with retail, attracting creative urbanites and innovative entrepreneurs

Nearby in Arcoris, we maintain a beautifully landscaped courtyard, terraced with upper and lower plazas encircled by shops, cafes and restaurants, preserving the exclusivity of this Foster + Partners-designed development, while at Summer Suites, near the Kuala Lumpur city centre,, we operate WOTSO Workspace in partnership with Australia's largest collaborative workspace provider, BlackWall Limited. For Kiara Bay, we are embarking on strategic partnerships with wellness and education players, key retail tenants and e-wallet providers for our interim retail space adjacent to the sales gallery.

Southern

Puteri Harbour

In our Puteri Harbour catalytic development, we are undertaking a rebranding and rejuvenation exercise to transform Puteri Harbour into an iconic waterfront tourist destination. With the recently acquired retail properties and theme park building which we branded as Marina Walk, in addition to offerings of a curated retail mix comprising entertainment, lifestyle retail, F&B and health & living outlets, as well as local bazaars, workshops and event halls, we hope Puteri Harbour will attract the necessary traffic and volumes befitting its status as an iconic tourist destination. We have also ramped up our placemaking initiatives in Puteri Harbour, in addition to hosting the annual Iskandar Puteri Jazz Festival and Iskarnival.

In our East Ledang development, we operate the Ledang Clubhouse and the Anjung Neighbourhood Centre, both built with unique designs, to cater to nearby residents. The Mall of Medini is phase 1 of a 35-acre street-style retail development jointly developed with the Iskandar Investment Berhad group managed by UEM Sunrise. Rejuvenation works for the Mall of Medini were completed in September 2019 with its major anchor tenant, Ben's Independent Grocer (BIG), officially opening its doors to the public the following month. Phase 1 mainly focuses on F&B. The remaining available land is planned for entertainment facilities, shopping malls and serviced apartments.

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Puteri Harbour, the pearl of Johor, is a prestigious waterfront development located along the southern coast of Johor

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Industrial

Nusajaya Tech Park Updates

Nusajaya Tech Park is a 519-acre world-class integrated industrial park with eco-friendly infrastructure designs and facilities, developed together with the Ascendas group of Singapore. Nusajaya Tech Park's design objectives are for functional and efficient industries, landscaped with well-maintained facilities, secure and environmentally friendly with vibrant communities. Its main target is sustainable medium industries. Since inception, Nusajaya Tech Park Sdn. Bhd. (NTPSB), the JV vehicle for the industrial park, has, among others, developed Built-To-Suit (BTS) warehouses and factories, as well as Ready-Built-Factories (RBFs) for its buyers, and has signed VADS Berhad (VADS), a wholly owned subsidiary of Telekom Malaysia Berhad, for the development of a purpose-built data centre facility. The data centre currently serves as a regional hub for VADS' cloud and operation services.

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Nusajaya Tech Park is a world-class 519-acre integrated eco-friendly technology park

Recent transactions:

January 2019
Gan Teck Kar Investments Pte. Ltd., a privately-owned company specialising in importation and distribution of premium food products in Singapore and Malaysia with business partners around the Southeast Asian region. It is using Nusajaya Tech Park as its distribution centre for food products for the Johor market.

February 2019
Song Fa Trading Pte. Ltd., a Singaporean company specialising in wholesale trade and manufacturing of food products which expanded its manufacturing facilities in Nusajaya Tech Park to facilitate growth in Thailand and China.

August 2019
Leased a RBF to Sternmaid Asia Pacific Sdn. Bhd., a wholly owned subsidiary of German conglomerate of speciality ingredients manufacturers Stern-Wywiol Gruppe Holding and 3 RBFs to GKN Aerospace Malaysia for a repair and research facility to cater to customers in the Asia-Pacific region.

Talking to a Singapore engineering company that manufactures metal parts to set up in Nusajaya Tech Park.

Talking to one of Asia's leading foreign and migrant workers dormitory owner/operators in Singapore and Malaysia to set up in Nusajaya Tech Park.

SiLC

SiLC is our flagship 1,300-acre advanced technology industrial park with a total estimated GDV of RM1.3 billion. Phases 1 and 2 are sold out while Phase 3, with a net saleable area of 196 acres, was officially launched in February 2017. In 2019, five industrial lots were disposed of for a total consideration of RM42 million, including four to Greenfarm. We are currently negotiating with potential prospects to secure more sales in 2020.

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Hospitality and Leisure

Central

Located in Arcoris is our pioneering 299-room four-star Hyatt House Kuala Lumpur Mont'Kiara hotel, an extended stay hotel and the first of its kind in Southeast Asia. It was awarded the Most Valued Extended Stay Suites at the Malaysia Property Press Awards 2018. Interest has been positive with guests liking the extended stay feature which is ideal for both short- and long-term stays, in addition to the great facilities, services and location.

Southern

As part of the ongoing revitalisation of the Puteri Harbour area, we are jointly developing a number of hospitality and leisure-related facilities to cater to the affluent demographic in Iskandar Puteri.

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Hyatt House Kuala Lumpur, Mont'Kiara offers a home-like hospitality which encourages guests to live like residents

IN PUTERI HARBOUR, WE ARE ALSO CURRENTLY DEVELOPING:

- A private clubhouse, private marina with 207 wet berths, hotel rooms and related services and restaurants collectively identified as ONE°15 Marina Puteri Harbour, a JV development between UEM Land Berhad and ONE°15 Marina Holdings Pte. Ltd. (ONE°15), a Singapore-based group which owns the ONE°15 Marina Club in Sentosa Cove, Singapore.

  Groundbreaking took place in March 2019 and the projects are expected to be completed in 2021. ONE°15 Marina Puteri Harbour is targeted at Malaysians and expatriates living in Johor. It caters to affluent families, as well as singles and millennials who enjoy the waterfront lifestyle away from the hustle and bustle of city life.
- A sports complex identified as ONE°15 Estuari Sports Centre in Estuari. The sports centre is completed, pending official opening which has been delayed due to the COVID-19 pandemic.
- A Puteri Harbour Yacht Centre together with ONE°15 to cater for the repair, refit, building and storage of yachts. The Centre includes recreational facilities, restaurants and accommodation for crew. It is expected to be completed in 2021.
- Marina Walk, located a stone's throw away from ONE°15 Marina Puteri Harbour. With plans to improve overall design in addition to the right tenant mix, the rejuvenated retail properties and theme park building are expected to unlock Puteri Harbour's development potential.

Since its official opening in 2008, Horizon Hills Golf & Country Club has become a household name in the golf industry in this region. The clubhouse was designed by Argentinean Ernesto Bedmar and hosts five-star amenities and facilities including an Olympic-sized swimming pool, fully equipped gymnasium, tennis courts, pro shop, a grand ballroom and a variety of F&B outlets, while its award-winning 18-hole golf course was designed by Ross Watson. The clubhouse and golf course were jointly developed with Gamuda Berhad. Among notable golfers who have played at the course are KJ Choi of South Korea and Padraig Harrington of Ireland. Among the awards won in 2019 were First Runner Ups for Best Course in Malaysia and Best Golf Manager of the Year by Asian Golf Awards and top three for Best Clubhouse and Best Green by Pargolf People's Choice Awards.

Our other JV projects in Iskandar Puteri include Fastrackcity, the 300-acre one-stop centre for all things automative including the potential development of a 4.5-km test track designed by Hermann Tilke in Gerbang Nusajaya. This is in collaboration with Fastrack Autosports Pte. Ltd. of Singapore. Other collaborative development partners include Kuala Lumpur Kepong Berhad, Mulpha International Berhad and the Iskandar Investment Berhad group of companies. Planning for these various developments is underway.