

# PROPERTY MARKET OVERVIEW & OUTLOOK

The Malaysian property market continues to be a dynamic sector with various factors influencing its performance. The residential segment, which is currently the core of UEM Sunrise’s business, is sensitive to prevailing macroeconomic environment and overall sentiment.

While the property market has typically been more predictably cyclical in the past, global conditions and disruptions today have made conditions more challenging and less certain.

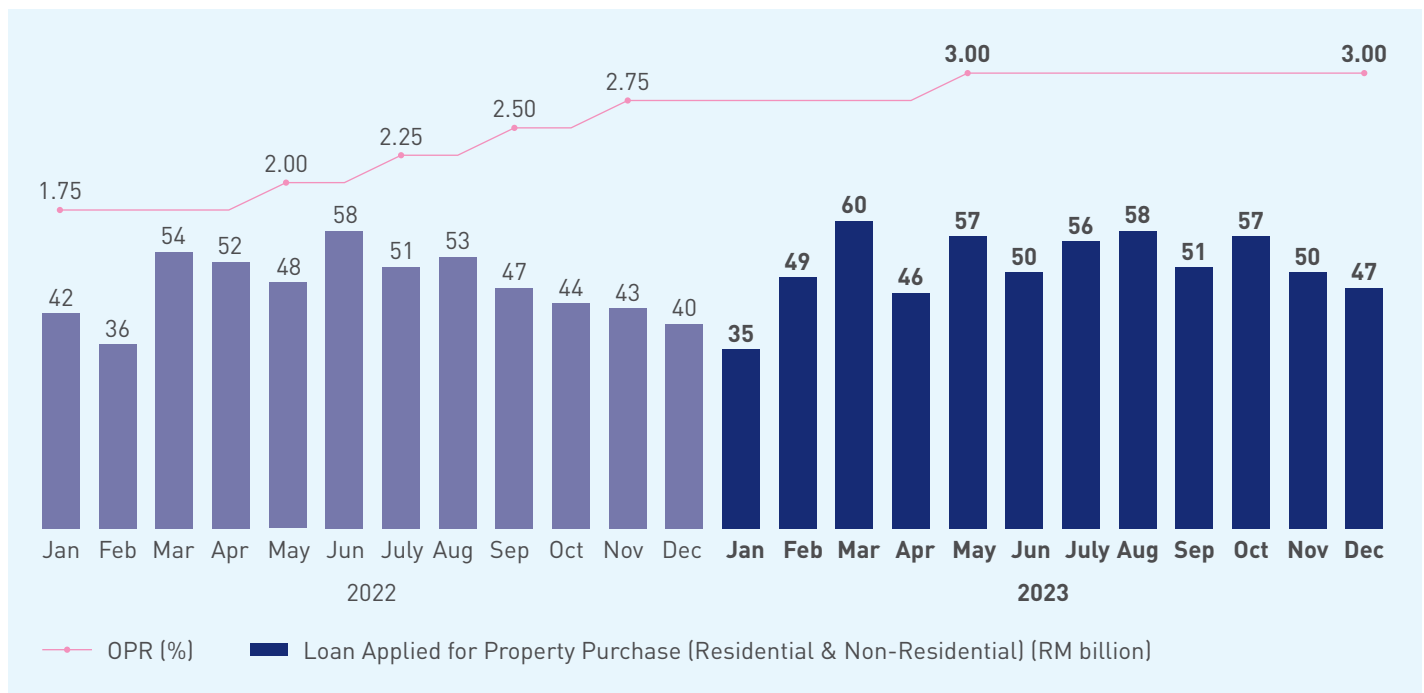
Cognisant of this, we have accelerated the adoption of technology, innovation and sustainable practices, from data analytics to modern methods of construction, as means to enhance our market adaptability and agility in operating within this increasingly complex landscape.

## MACRO OVERVIEW

The domestic economy expanded by 3.7% in 2023, at a relatively slower rate than the previous year’s rebound performance (2022: 8.7%) from a lower base. Growth fell below the projected 4% to 5% target, mainly due to slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies. Growth continued to be bolstered by domestic demand, despite the lapse of large policy support provided as the economy started to open up in 2022.

Over the last couple of years, consumers have been impacted by higher inflation, with Bank Negara Malaysia (BNM) having responded by increasing the Overnight Policy Rate (OPR) four times in the span of two years, which brought the OPR from 1.75% in the beginning of 2022 to the current 3%. While the OPR increase resulted in a decline in loan applications for property purchase especially in the second half of 2022, this led to the stabilisation of the OPR and pace of loan applications.

### Overnight Policy Rate and Property Loan Application



Source: Bank Negara Malaysia

Government policies have played a crucial role in shaping the property market. Continued support for affordable housing initiatives, incentives for developers, and measures to address oversupply concerns have been notable.

However the property industry continues to face supply chain challenges and labour shortages, as a protracted consequence of the pandemic, compounded by the on-going geopolitical tensions in Europe and the Middle East, ultimately resulting in building cost inflation.

The Consumer Sentiment Index (CSI) and Business Conditions Index (BCI) were subdued in 2023. The CSI showed an uptick of 10.5 points to 89.4 points in 4Q 2023 from 78.9 points in 3Q 2023 which was the lowest in the post-pandemic period. However, both indicators generally remained below the 100-point optimism threshold in 2023.

On a positive note, headline inflation eased during 2023 and unemployment levels have normalised to the long-term average of around 3% compared with the pandemic high of 4.6%. This and the easing cost pressures have supported household spending, alongside a median wage increment of 5.5%<sup>1</sup>.

Economic uncertainty, combined with the higher inflation and interest rates, weighed down both the supply and demand side of the industry. This adversely affected general sentiments which significantly impacted market activity and performance.

The current operating environment, as characterised by mixed signs of optimistic economic indicators set against pessimistic sentiments, paint a complex backdrop where opportunities and optimism abound, albeit seen through a cautious lens.

#### Business Conditions Index & Consumer Sentiment Index (Point)

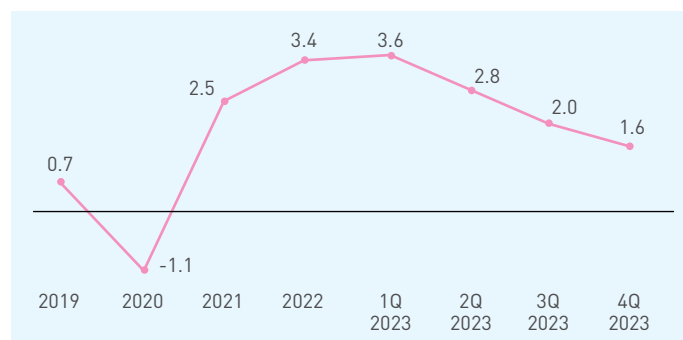


Note:

Above 100pt threshold indicates optimism, below 100pts indicates negative sentiment.  
Source Malaysian Institute of Economic Research (MIER)

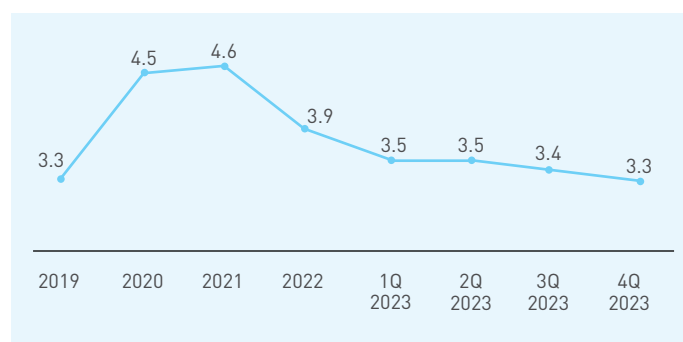
<sup>1</sup> Year-on-year median wage increment from September 2022 to September 2023.  
Source: Department of Statistics Malaysia (DOSM)

#### Headline Inflation Rate (%)



Source: DOSM

#### Unemployment Rate (%)



Source: DOSM

Despite a challenging global financial and economic environment, the property market stayed resilient in 2023 as evidenced by positive performance in all sub-sectors (except agriculture).

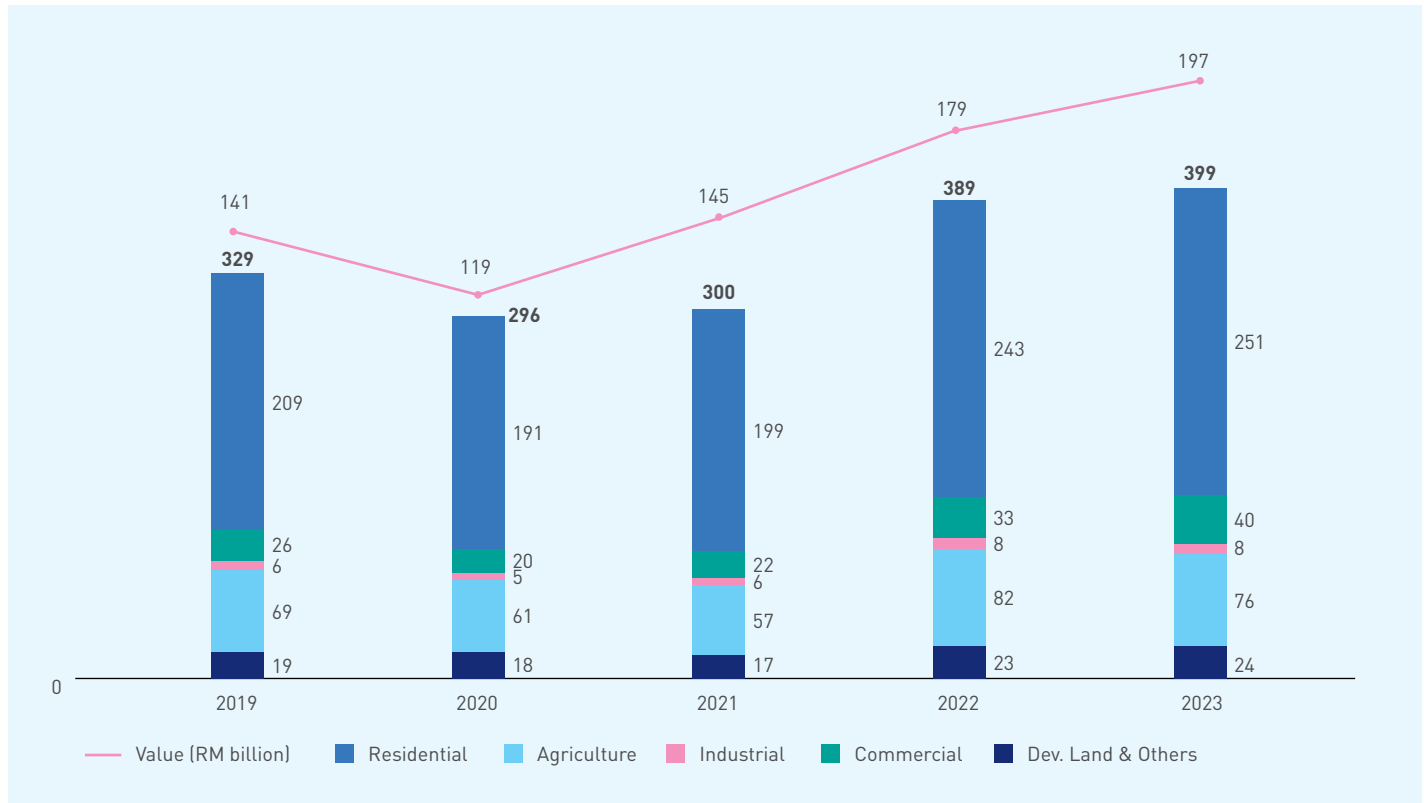
This growth was also backed by the implementation of various government initiatives and assistance outlined in the national Budget 2023, key amongst which include:

- Full stamp duty exemption on instrument of transfer and loan agreement for the purchase of the first residential home priced up to RM500,000 by Malaysian citizens applicable until 31 December 2025.
- Increase of stamp duty remission from 50% to 75% for the purchase of the first residential properties priced between RM500,000 to RM1 million by Malaysian citizens and applicable for sale and purchase agreements executed until 31 December 2023.
- Full stamp duty exemption up to RM1 million and 50% stamp duty remission for the remaining balance on transfers of property by way of love and affection between family members (example: father to child).
- Increase guarantees of up to RM5 billion under the Housing Credit Guarantee Scheme via Syarikat Jaminan Kredit Perumahan (SJKP) in assisting gig workers such as e-hailing workers in obtaining home financing up to RM500,000.

## Property Market Overview & Outlook

In 2023, property transaction value hit a historical high of RM196.83 billion, a 10% rise from the previous record high in 2022. Volume in terms of units remained largely flat at 399,008 in 2023, a 2.5% increase from 389,107 in 2022.

### Malaysia Transaction Volume ('000 units) by Segment and Total Value (RM billion), 2019-2023



Source: National Property Information Centre (NAPIC)

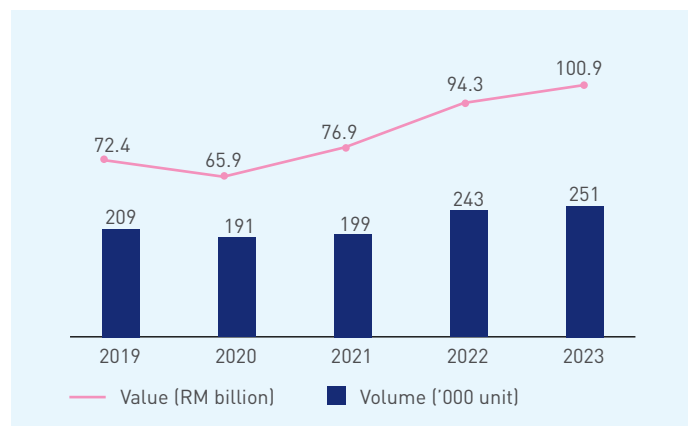
### RESIDENTIAL SEGMENT

In the face of the challenging landscape, the residential sector has shown resilience, with sustained demand particularly in urban areas. Affordable housing initiatives have played a significant role in addressing housing needs, although affordability concerns persist; and while interest rates have increased, the future trajectory is anticipated to be settling close to pre-pandemic levels.

In UEM Sunrise’s core domestic markets, namely the Klang Valley in the central region and Iskandar Puteri in the south, fundamentals continued to be strong, as the market size and demand in these two regions continue to be the largest in the country.

During 2023, activity was high in the residential segment with transactions exceeding 2022 by 3% in terms of volume (units) and 7% in terms of value (a total of 250,568 units worth RM100.9 billion). New launches increased by 4% (2023: 56,526 units) and was met with a fairly healthy average sales rate of 40.4%, which is an improvement over the 36.0% average recorded in the previous year. These are good indications of a healthy market recovery, despite there being no direct incentive or catalyst to homebuying such as the Home Ownership Campaign (HOC) which ran from 2019 to 2021.

**Malaysia Residential Transaction Volume and Value, 2019-2023**



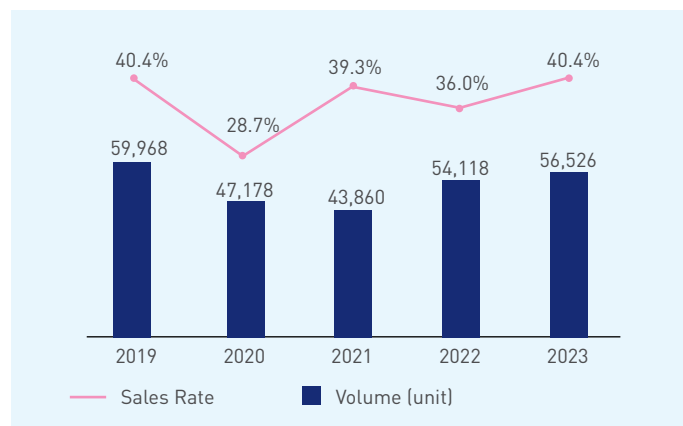
Source: NAPIC

However, one of the key issues that continue to weigh down the market for some time now is the overhang (defined as units that have been in the market for sale for a minimum of nine months, and are completed and ready for occupation) situation. While the total residential (including SOHO and serviced apartments) overhang continues to be high at 48,327 units (worth more than RM35 billion), the situation has shown to be consistently, albeit gradually, improving. In 2023, overhang numbers reduced by 10% (5,636 units); with Johor experiencing the largest reduction in overhang, decreasing by 3,436 units (-17%).

While affordable homes are much advocated and developers are urged to deliver more attainably priced residential units, there is a prevailing issue of large overhang within these price segments. Over 40% of the overhang consists of homes priced below RM400,000, which is roughly the affordability level of the average urban household in Malaysia<sup>2</sup>. This is reflective of deeper issues than just pricing.

It will still take a significant amount of effort and time to clear this inventory, as the data also shows that almost half (47%) of the nationwide overhang, or more than 12,000 units, is made up of residential units launched between 2016 and 2018 [2016: 4,035 units; 2017: 5,425 units; 2019: 2,999 units]. This suggests a real mismatch between the type of supply that makes up the overhang and the product profile that is in current demand.

**Malaysia Residential Launches and Sales Rate, 2019-2023**



Source: NAPIC

These were the years immediately following the market downturn, indicating a possible response lag by industry players in adjusting to market changes; supplying and possibly oversupplying the types of products which no longer met the demand profile during the pivotal point of the market turn, when speculative and investment buying cooled down.

On the positive side, overhang is lower for the more recent launches, i.e. 2019 onwards, albeit the full impact may yet to be captured as some of the projects have not yet been completed.

It would require a detailed enquiry into issues faced by the projects to find an effective solution, and it may be that the most effective way to offload these units from remaining as overhang is for the government to work together with developers to tailor more property-specific solutions for different projects or unit types.

Note:

<sup>2</sup> Based on the median gross monthly household income of urban households of RM7,243 in 2022 (latest) (Source: DOSM), and a median multiple factor of 4.0. Median multiple is the house price to annual income ratio, an indicative measure of housing affordability where the house price to annual income ratio of 3.0 and below is considered "Affordable", 3.1 to 4.0 "Moderately Unaffordable"; 4.1 to 5.0 "Seriously Unaffordable"; and 5.1 and above "Severely Unaffordable".

## Property Market Overview & Outlook

### COMMERCIAL SEGMENT

The commercial office and retail segments in Malaysia have not been spared from the global influence of economic factors, technological advancements, and changing end-user and consumer behaviours. The commercial property market, particularly purpose-built offices and retail, has been facing a challenging period, with supply generally outstripping growth in demand.

The office segment continues to offer a myriad of options to end-users, as newer, more sophisticated, and better designed buildings continue to come onstream. In the Klang Valley, another 11 million sq ft of new office space is still in the pipeline which will add to the 42 million sq ft of already available vacant office space in the market .

On the demand side, collaborative and flexible working spaces still make up a significant portion of office space demand, as hybrid working is here to stay. This is attributed to two main reasons —first, it benefits employees and employers and, second, it represents a cultural shift in how people work. However, this trend works against the supply abundance, as more office users only require to occupy shared spaces, and therefore less space.

The retail segment sees a similarly competitive landscape, with slightly brighter prospects, as new completions slowed down in the past two years as a result of construction delays. This has given way for demand to catch up slightly. Even so, there is still a significant amount of new retail space that will enter the market in the near future, which will dampen occupancy rates and place further pressure on rents.

While shoppers have generally returned to physical shops and retail centres, after almost three years of pandemic-led disruption, consumers' discretionary spending has notably weakened as a result of increased cost of living.

For UEM Sunrise, we recognise the clear importance of creating value for all our stakeholders. In the domain of commercial real estate, our future developments will be planned, curated and strategised such as to ensure and sustain investment returns, both in the form of yield from recurring income as well as capital gains, through a tactical approach of a disciplined tenancy programme and exit plan – to attract tenants in order to serve the communities we build; as well as to provide attractive returns to our investors.

### INDUSTRIAL SEGMENT

The industrial segment continued its steady performance, recording moderate growth in 2023 in terms of transaction activity. Transactions picked up in the second half of the year (+11% year-on-year) after experiencing marginally negative growth in the first half (-2.5% y-o-y).

The industrial sector has experienced growth driven by e-commerce expansion, reshoring of manufacturing and logistical facilities by multinationals particularly from China, and efforts to navigate supply chain challenges. Malaysia is positioned as a viable hub for industrial activities and enjoys a relatively advantageous position to benefit from these trends.

On 1 September 2023, the New Industrial Master Plan 2030 (NIMP 2030) was unveiled with the aspiration to chart Malaysia's industrial transformation. In line with the New Investment Policy (NIP), NIMP 2030 aims to enhance future exports of more complex products from five identified sectors, namely aerospace, chemicals/ petrochemicals, digital economy, electrical & electronics (E&E), and pharmaceuticals.

In response to that, certain industry players have hastened to take up the opportunity and pivot their direction to cater to the specific industrial needs of the focus sectors and taking the Built-to-Suit (BTS) approach, as opposed to pushing out generic industrial offerings.

For us, we have put in motion tactical steps to optimise our position and assets to ride the industrial wave, particularly in the Southern region where development prospects are very positive, for data centres, logistics as well as manufacturing. Riding on the synergy and proximity to the world class Port of Tanjung Pelepas as well as the industries in Jurong West in Singapore, we are in the process of converting 361 acres into industrial zoning for immediate development, with further conversion planned for future phases.

## AUSTRALIA

In 2023, the Australian economy grew by a modest 1.5%. This was broadly in line with most forecasts, with the country having experienced an inflation-induced slowdown and as domestic demand continued to be weak.

Interest rates have risen 13 times since May 2022, and the current official cash rate as determined by the Reserve Bank of Australia (RBA) has reached 4.35% after the central bank delivered a total of 425 basis points rate hike over the last two years, in an effort to curb post-pandemic inflation spike.

First-time homebuyers and renters in Australia are facing tough times as housing affordability continues to deteriorate. A sharp increase in interest rates, an unexpectedly rapid recovery in house prices, and a dramatic rise in rents have aggravated the housing crisis. The return of foreign interest, particularly from China, has also contributed to the rise in demand and thus prices.

In an advanced and highly responsive market such as this, the higher interest rates is one of the reasons for falling new home builds, exacerbating the rise in rents which in turn keeps inflation heightened for longer.

Even so, the housing market performance remained varied across the country. Perth, Brisbane and Sydney registered the largest growth in dwelling value during 2023 of 16.7%, 14.8% and 11.4% respectively while Melbourne charted an annual value rise of 3.9% over the same period<sup>3</sup>.

An increase in migration will help address some of the tightness in the labour market, and as a result, the unemployment rate is expected to gradually rise from its current low levels to reach the natural rate of unemployment by mid-2024.

The commercial property sector in Australia faces a different set of challenges. Transaction volumes last year fell to their lowest level in a decade and according to some analysts, foreign investors deployed less capital last year than they did in 2020, when Australia's international borders were closed due to the COVID-19 pandemic. This was partly attributed to stand-offs between buyers and sellers, not being able to agree on terms.

Note:

<sup>3</sup> Source: CoreLogic



## Property Market Overview & Outlook

### 2024 OUTLOOK

#### Malaysia

The Malaysian property market remains dynamic, presenting both opportunities and challenges. The economy is projected to expand by 4% to 5% in 2024, and the outlook in the property market remains cautiously optimistic.

The property sector is anticipated to continue its recovery momentum supported by government initiatives set out in Budget 2024. These include a RM10 billion allocation to the Housing Credit Guarantee Scheme (SKJP), stamp duty exemption for first-time homebuyers who purchase a home valued up to RM500,000, and more relaxed conditions for Malaysia My Second Home (MM2H) programme. The relaxation of MM2H conditions, which was announced by the Government in December 2023, is on the right track to boost foreign investment in Malaysia, particularly in the real estate sector.

As the country navigates economic uncertainties and global shifts, stakeholders in the property sector need to stay agile, adapt to evolving trends, and focus on value-driven collaborations to ensure a sustainable and resilient real estate market.

Inflation has moderated, but long-term interest rates remain relatively high; retail sales are relatively stable; manufacturing continues to contract; geopolitical concerns are on the rise.

Despite the government's efforts, affordability remains a concern, especially in major urban centres. The gap between property prices and average incomes pose challenges for aspiring homebuyers. Continued adjustments to government policies, especially in response to market dynamics and economic conditions, will play a crucial role in shaping the future of the property market.

Certain segments of the property market, particularly in the commercial sectors, will continue to face concerns of oversupply. A more detailed and tactical approach needs to be taken to align with market demand.

While industrial may still be the darling sector for now, signs of moderation have already surfaced, where pent-up demand may have already largely been met. While opportunities are still present, newer entrants will need to tread with more caution, avoiding any speculative moves. In the Southern region particularly, industry dynamics point to low risk of oversupply and the Iskandar Regional Development Authority (IRDA) is still optimistic about upcoming direct investments in data centres, manufacturing, and logistics.

The real estate financing landscape, including interest rates and accessibility of financing, remains a key factor influencing market dynamics. Competitive interest rates have stimulated demand, but global economic uncertainties and local economic conditions still pose challenges, impacting consumer confidence and investment decisions, influencing the overall property market sentiment.

The integration of technology in real estate, including virtual property viewings, online transactions, and smart home technologies, is anticipated to become more prevalent. This trend will enhance the efficiency and overall experience of property transactions.

The emphasis on sustainable and green development practices is expected to grow. UEM Sunrise is on board with adopting more sustainable practices along our value chain, including incorporating into our products environmentally friendly features to meet evolving consumer preferences.

#### Australia

In Australia, economic growth is expected to be below trend for 2024 as a result of high inflation, and contractionary monetary and fiscal policies which will continue to dampen demand.

The decline in real incomes over the past couple of years is expected to weigh on consumption, particularly in the first half of 2024. A shortage of skilled trade workers and high construction costs are expected to continue to slow new building approvals and dwelling investment.

However, recent easing in financial conditions, particularly mortgage rates, may relieve household pressure and result in an upside outcome. Furthermore, the appeal of Australian residential property is the diversity in market conditions. Perth for example has seen high levels of interstate and overseas migration which have led to faster rental growth and stronger capital gains; and between December 2023 and February 2024, house prices in Perth have risen 5.2%, compared with a decline of 0.6% in Melbourne<sup>4</sup>.

For UEM Sunrise, we hold a niche position in this market and while the current environment may present certain challenges, we are invested in it for the longer-term play. We intend to continue to leverage our presence, experience, reputation and brand in the market as we carry on seeking out new opportunities to expand and further strengthen our footing in Australia.

Note:

<sup>4</sup> Source: CoreLogic

# KEY MARKET TRENDS SHAPING OUR BUSINESS

## LABOUR SHORTAGE

### How it Impacts our Business

- Slower progress made at construction sites may lead to delays and lower revenue recognition from property development
- Inability to meet project scheduled timelines

### How it Impacts our Stakeholders



#### Customers, Local Communities

- Dissatisfaction from customers due to deferment in delivery of properties
- Opportunity loss to the communities as not able to enjoy the positive spillover effects of the development



#### Investment-Related Stakeholders

- Lower investment returns arising from slower revenue recognition

### Key Risks and Opportunities

#### Risks

- Higher costs of construction
- Delay in project timelines
- Negative impact on cashflows arising from project delays

#### Opportunities

- Adoption of efficient construction approach based on advanced technologies

### Our Approach

- Established a dedicated department that focuses on research to adopt cutting-edge construction methodologies such as BIM, IBS, DfMA, Modern Methods of Construction (MMC) and Modular construction
- Harnessed advanced technologies to streamline construction processes and minimise dependence on manual labour to enhance project and cost efficiency

## RAPID URBANISATION

### How it Impacts our Business

- The need to have landbank in urban areas
- The need to provide attainable price product
- High land cost in growth areas due to high demand

### How it Impacts our Stakeholders



#### Customers

- Increasing property price in urban areas due to high demand
- Increase in demand for integrated development that offer residential, commercial and recreational amenities among young professionals and families

### Key Risks and Opportunities

#### Risks

- Increase in land cost in urban areas, affecting project profit margin
- Difficulty in sourcing for suitable land in growth areas due to competition and scarcity
- Increase in market competition with many developers leveraging on the trend

#### Opportunities

##### Customers

- Choices of integrated development in urban areas
- Availability of attainable price housing

##### Employees

- Design more innovative concepts that suit the demands of consumers in urban centres

### Our Approach

- Launched a TOD project, The Connaught One, to offer urban transportation convenience in urban areas
- Source strategic land that can offer homes and convenience to buyers
- Create product and masterplan unique value proposition to capture the market
- Launched Happy +, a residential product series featuring five categories tailored to the diverse lifestyles and life-stage requirements of homebuyers
- Partnered with five financial institutions to introduce financing options to ease buyers' financial challenges
- Explore product customisation options, allowing our customers further personalisation of their properties and reduce expenses on move-in renovations
- Identify potential opportunities for more groundbreaking products such as micro homes



## Key Market Trends Shaping Our Business

### WORKFORCE CHALLENGES

#### How it Impacts our Business

- Increasing demand for better workplace policies and benefit structures to attract and retain skilled professionals
- Heightened competition for skilled professionals in the construction and real estate industry

#### How it Impacts our Stakeholders



##### Employees

- Improve competencies and skills to meet changing customer requirements, latest technology and tools

#### Key Risks and Opportunities

##### Risks

- Lack of workplace benefits may lead to increased employee attrition
- Absence of the right training programmes to improve skills and competencies may result in shortfall in employee capabilities to meet customer demands, technology advancements and industry requirements
- Project delays and low development quality may cause reputational damage and financial losses

##### Opportunities

- Increase the number of upskilling programmes to improve employees' competencies and enhance career progression
- Improve retention strategies to boost employee engagement and morale
- Facilitate talent programmes to cultivate leaders and high-potential employees

#### Our Approach

- Foster a supportive working environment by providing competitive compensation packages and facilitate career progression and skill enhancement through various learning platforms
- Introduce hybrid work models, adapting policies, processes and technologies to ensure seamless collaboration
- Improve employee well-being by introducing programmes that support a diverse and inclusive workforce

### COMPLIANCE AND REGULATORY LANDSCAPE

#### How it Impacts our Business

- Increase in resource utilisation such as time and costs to ensure alignment to the changing compliance and regulatory policies

#### How it Impacts our Stakeholders



##### Employees

- The need to instill the importance of upholding integrity
- The need to be updated and understand the latest changes, and apply in the operations

#### Key Risks and Opportunities

##### Risks

- Potential disruption to operations and reputational damage due to non-compliance to regulatory bodies, affecting business plans and financial performance

##### Opportunities

- Conduct various integrity and anti-corruption awareness initiatives
- Build a strong compliance culture across the organisation
- Build professional relationship with the regulatory bodies
- Form a dedicated liaison team

#### Our Approach

- Mitigate corruption risks by continuously evaluating and certifying the Anti-Bribery Management System (ABMS)
- Enhance policies and procedures in accordance with the Adequate Procedures standards to remain in compliance with the National Anti-Corruption Plan

## Key Market Trends Shaping Our Business

## TECHNOLOGY AND DIGITALISATION

## How it Impacts our Business

- Optimised workforce productivity through new technology and digital applications
- Improved customer engagement and customer experience
- Increased cybersecurity measures to protect digital assets against breaches

## How it Impacts our Stakeholders

**Employee**

- Improve productivity and operational efficiency
- Strengthen employee competencies via training in latest technology tools

**Customer**

- Increase number of consumers who conduct research on property types and prices

## Key Risks and Opportunities

**Risks**

- Inability to manage technology and digitalisation may expose UEM Sunrise to cybersecurity threats
- Late adoption of technology and digitalisation may expose UEM Sunrise to financial losses

**Opportunities**

- Expand customer reach by utilising new technology and digital applications
- Strengthen policies and procedures to mitigate technology risk
- Provide cybersecurity awareness training to all employees

**Our Approach**

- Increase investments in digitalisation initiatives to improve efficiency and productivity
- Adopt new applications to improve efficiency and increase interaction with customers such as hUb prop, UEM Sunrise official website and Ria Chatbot

## INCREASING PRESSURE ON ESG

## How it Impacts our Business

- Integrate ESG practices into business operations, organisation and project development as guided by the SDDG.
- Commit to achieve green certifications for all new projects as part of the Company's sustainable development approach.

## How it Impacts our Stakeholders

**Customer**

- Increase expectations for sustainability elements to be included into project developments

**Employee**

- Implement training and education on ESG principles to foster a sustainable culture within UEM Sunrise

**Shareholder & Investors**

- Increased prioritisation towards companies with strong ESG credentials in their portfolios

**Regulators**

- Growing demand for companies to be transparent with ESG practices across operations and projects

## Key Risks and Opportunities

**Risks**

- Increase in regulatory scrutiny, legal actions, penalties which may cause reputational damage
- Insufficient talent pool skilled in sustainability-related matters
- Loss in investment opportunities due to absence of transparent ESG/sustainability practices




**Opportunities**



- Incorporate green building practices and energy-efficient solutions into all new projects, regardless of development type
- Adhere to international ESG standards and certifications as many investors and customers seek properties with verified sustainability credentials
- Engage and collaborate with stakeholders to raise awareness on sustainable practices
- Improve product design/features to include alignment with ESG principles

**Our Approach**

- Adhere to good governance practices, including transparent financial reporting and ethical business conduct
- Focus on creating positive social impact through affordable housing, community development and carry out programmes to improve the overall quality of life in the surrounding areas
- Prioritise energy-efficient designs, use of renewable energy sources and environmentally friendly construction materials
- Incorporate climate-related risks and measures to enhance the resilience of our properties

# PRINCIPAL RISKS AND MITIGATION

Principal Risks	Impact on UEM Sunrise	Response	Opportunities
<b>Competition Risk</b> 	<ul style="list-style-type: none"> <li>Increased rivalry for investments leading to funding issues.</li> <li>High land prices make it challenging to find appealing locations.</li> <li>Reduced sales whereby inventory increases and revenue decreases.</li> </ul>	<ul style="list-style-type: none"> <li>Set strategic plans and detailed budgets to identify objectives, targets, and resources and evaluate performance.</li> </ul>	<ul style="list-style-type: none"> <li>Tailored office solutions</li> <li>Sustainable and affordable housing</li> <li>Technology-driven services</li> <li>U2030 aims for the following USP and agility:                             <ul style="list-style-type: none"> <li>A well-diversified portfolio with regard to location, industry segment, product types, product price range</li> <li>Organisation readiness to face market challenges via strengthening the people and process, product development, innovation, digital, marketing, sustainability</li> </ul> </li> </ul>
<b>People Risk</b> 	<ul style="list-style-type: none"> <li>Project delays, reduced productivity and development quality due to loss of talent.</li> <li>Lack of skilled labour availability or employee retention.</li> <li>Higher personnel costs due to regulatory changes and tighter talent supply.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced KPI monitoring and assessment in the Performance Management Framework.</li> <li>Implemented structured leadership and talent programmes to develop emerging leaders, high-potential individuals, and current leaders.</li> <li>Organised talent management and succession planning discussions to address developmental gaps for higher worker productivity.</li> </ul>	<ul style="list-style-type: none"> <li>Contributed significantly to organisational success by maximising employee potential, driving performance improvement, and fostering a continuous improvement culture.</li> <li>A skilled, engaged, and adaptable workforce, ultimately driving organisational success and competitive advantage in the marketplace.</li> <li>Position the organisation for long-term success and continuity.</li> </ul>
<b>Regulatory &amp; Corruption Risk</b> 	<ul style="list-style-type: none"> <li>Corporate liabilities that impact our bottom line.</li> <li>Reputational damage or loss of public confidence due to poor governance.</li> <li>Financial losses from fines, penalties and reduction in share price.</li> </ul>	<ul style="list-style-type: none"> <li>Periodic review of corruption risk profile.</li> <li>Conducted an in-depth Corruption Risk Management Review Exercise.</li> <li>Conducted Corruption Risk Management Awareness and Workshop.</li> <li>Continuously improved associated anti-corruption policies and procedures.</li> <li>Conducted various integrity and anti-corruption awareness initiatives, including monthly newsletters, talks, training and chat sessions as well as Integrity Month initiatives.</li> <li>Appointed CHIEF Integrity Advocates (CIA) and implement the CIA programme to improve ethics and integrity.</li> <li>Delivered regular email and intranet updates to employees.</li> <li>Provided a mechanism for employees, third parties and members of the public to report wrongdoing or improper conduct.</li> </ul>	<ul style="list-style-type: none"> <li>The Group aims to mitigate corruption risk by evaluating and certifying the Anti-Bribery Management System (ABMS), and enhancing policies and procedures in accordance with the Adequate Procedures standards. This ensures compliance with the National Anti-Corruption Plan and increases their competitiveness for government contracts.</li> </ul>

Principal Risks	Impact on UEM Sunrise	Response	Opportunities
<b>Financial Risk</b> 	<ul style="list-style-type: none"> <li>• Delays in land transactions could affect revenue and profit recognition.</li> <li>• Financial constraints could prevent landbank development and construction progress billings.</li> <li>• Lawsuits by creditors or tax authorities affect profitability.</li> <li>• Borrowing money would cost more as interest rates rise and affect profitability.</li> <li>• Changes in tax legislation or finance restrictions might make it harder to secure project funding.</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented GDV launch plans and offload non-strategic lands as well as non-core assets to generate value and boost liquidity.</li> <li>• Monitored financial risks to optimise liquidity.</li> <li>• Monetised inventory.</li> <li>• Close engagement with banks and investing community to share the company's plans and prospects.</li> <li>• Monitored and contacted debtors to guarantee timely payments.</li> <li>• Monitored financial covenants and borrowing repayment maturity profiles.</li> </ul>	<ul style="list-style-type: none"> <li>• Stable Financing Environment</li> <li>• Resilient Bond/Sukuk Market</li> <li>• Preference for Corporate Bonds/Sukuk</li> <li>• Fiscal Deficit Reduction</li> <li>• Foreign Investors' Participation</li> </ul>
<b>Operational Risks</b> 	<ul style="list-style-type: none"> <li>• Delays in projects, higher expenses and lower product quality due to supplier issues.</li> <li>• Cyberattacks or system failures might interrupt business and cost money.</li> <li>• Ineffective internal procedures and systems can delay projects, raise expenses, and lower profitability.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved processes and project management by embedding technology and digitisation.</li> <li>• Benchmarked Management System and SOPs ISO 9001:2015 and other applicable standards and best practises.</li> <li>• Implemented Identity Access Management, End Point Protection and Unified Threat Management at the end user and gateway levels to safeguard against security threats.</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of suppliers</li> <li>• Forming strategic partnerships with reliable suppliers to gain mutually beneficial arrangements, such as preferential pricing, priority access to materials</li> <li>• Investment in cybersecurity and cyber insurance</li> <li>• Investment in better systems and technology to automate processes, reduce errors &amp; enhance productivity</li> <li>• Investment in training and development for employees to improve competency and effectiveness</li> <li>• Process optimisation to increase efficiency</li> </ul>



## OUR STRATEGY



The three-phase strategic turnaround plan: Triage, Stabilise and Sustain has been a game changer for UEM Sunrise. Throughout 2023, the Company focused on Triage, which was aimed to strengthen our core business, ensuring our launch plans were intact and attaining a healthier balance sheet. The focus areas were to

- Identify and address gaps in key business fundamentals.
- Revitalise our launch pipeline.
- Deliver products tailored to customer needs and aspirations.
- Identify areas to obtain greater operational efficiency.

In Q4 2023, we launched a Transformation Plan called U2030, which outlines our long-term and sustainable growth journey, to become a balanced real estate company by 2030.

# STRATEGIC PERFORMANCE REVIEW

## STRENGTHEN CORE REVENUE STREAM

### What It Means

Direct efforts towards fortifying position of property development as the primary source of revenue.

### Our Approach

- Strived to achieve 2023 target launch GDV of RM2.5 billion.
- Identified new landbank to boost project pipeline.
- Expanded market presence by diversifying into new markets, broaden customer base and mitigate market risk.
- Diversified product category.
- Established short-to-medium term development plan.
- Activated existing landbank, review land use and continuously refine existing masterplans to maximise site potential and optimise GDV.
- Finalised UEM Sunrise's U2030 Transformation Plan by integrating industrial and township components, and broadening presence in Australia.

### What We Did

- Launched a total GDV of RM3.6 billion, which is the highest since 2012.
- Acquired 3.7 hectares of freehold land in SS6 Kelana Jaya for RM155.0 million.
- Acquired UEM Sunrise's first residential development site in Subiaco East, Perth for AUD22.2 million.
- Launched UEM Sunrise's first TOD in Taman Connaught.
- Partnered Greystar and secured the company's first BTR project in Collingwood, Melbourne.
- Commenced pre-development works for Solaris Parq B, Almas Puteri Harbour, Residential South and Gerbang Nusajaya.
- Revised the masterplan of Gerbang Nusajaya to increase the ratio of industrial development in response to rising industrial demand.

### Value Created for the Business

Recorded improvement in gross profit and EBITDA margins for the financial year ended 31 December 2023 and improved earnings visibility with unbilled sale of RM2.7 billion.

### Value Created for the Stakeholders

#### Shareholders and Investors

- Acquisition of new landbanks, market expansion and diversification of product categories demonstrates our commitment to strengthening our product pipeline and increasing the number of launches to enhance revenue growth.
- Declared a dividend of 0.75 sen per share, amounting to RM37.9 million.

#### Customers

- Higher product value through refined masterplans.
- Better living environments for customers by incorporating amenities, connectivity, open spaces, sustainable elements and others.
- Wider choice of properties - location and typology.

### Outlook

The U2030 Transformation Plan will essentially improve and accelerate the building of project pipeline to strengthen our revenue stream.

In this regard, U2030's priorities include rebalancing our landbank between the Southern and Central regions, expanding our presence in Australia, capitalising on the emerging industrial market, developing a sustainable revenue-generating township. We also emphasise on monitoring and tracking the pre-development processes and stages to ensure pipeline readiness.

We will also leverage on the various stimuli introduced by the government such as opportunities in renewable energy, Budget 2024 benefits which allows less than 100% approvals for enbloc sale, the New Industrial Master Plan (NIMP) incentives for infrastructure projects in the Southern region and the relaxation of Malaysia My Second Home (MM2H) guidelines. These strategic moves are aligned with our commitment to achieving sustained growth and value creation.

#### Capitals:



#### Material Matters:



#### Stakeholders:





# Strategic Performance Review

## MANAGE RISK

### What It Means

Analyse potential challenges and formulate strategies to address threats and optimise operational processes

### Our Approach

- Streamlined delivery process flow to enhance operational efficiency, standardised end-to-end development process and carried out digital adoption.
- Commenced Knowledge Management initiative to facilitate centralisation of information and ensure business continuity.
- Strengthened project monitoring and tracking tool.

### What We Did

- Introduced Organisational Process Algorithm (OPA).
- Implemented initial phases of the Knowledge Management initiative.
- Established an enhanced version of ProTracker, a platform that captures pre-development, construction and sales progress, which facilitates the analysis of variations between actual vs target.
- Secured Board approval and launched U2030, incorporating strategic priorities designed to drive performance, address fundamental gaps and capitalise on market opportunities to create stakeholder value.

### Value Created for the Business

- Improved efficiency, productivity and cost savings
- Higher accuracy in forecasting and budgeting

### Value Created for the Stakeholders

#### Shareholders and Investors

- Improved financial performance and generated long-term value creation, to deliver returns to shareholders and investors
- Unlocked organisational growth potential through streamlined operations, divestment of non-core assets and optimised cost structures.

#### Customers

- Expanded access to a diverse range of products tailored to the preferences and affordability levels of target homebuyers.
- Infused sustainability and environmentally-friendly elements into design processes to create better living environments for residents.

#### Employees

- Nurtured a culture of operational excellence.
- Certainty in scope of work with clearer direction and targets.

### Outlook

In our continuous pursuit of operational excellence and strengthened project management, we will continue to prioritise monitoring and tracking of our development programmes. These considerations will feature prominently in our management discussions as this allows us to identify and address potential risks that may impede our targets. As part of our broader commitment to efficiency, risk management and informed decision-making, we are working towards creating a unified data system. This will involve consolidating, centralising and digitising our data and information to foster a streamlined and data-driven approach across our operations and decision-making processes.

#### Capitals:



#### Material Matters:



#### Stakeholders:



## OFFER CLEAR VALUE PROPOSITION

### What It Means

Provide clear identity and competitive advantage of our products and services.

### Our Approach

- Elevated customer experience.
- Embraced sustainability into design, business and operations.
- Enhanced customer satisfaction with UEM Sunrise's products and services.
- Delivered quality and innovative products.

### What We Did

- Collaborated with Affin Bank Bhd on the 'Affinita' mortgage programme to empower women and encourage homeownership.
- Launched of the Happy+ product series to assist customers in finding properties that suit their lifestyle and needs.
- Launched the updated hUb prop mobile app, featuring new green partnerships and extended rewards for loyal customers.
- Established the SDDG as a reference for designing sustainable products with a lower carbon footprint, emphasising positive social impacts and high value creation.
- Achieved a customer satisfaction score of 80%, the highest since the inaugural survey in 2015.
- Attained QLASSIC score averaging at 85%
- Achieved total sales of RM2.1 billion, surpassing 2023 sales target by 40%.
- Formed strategic partnership with Intermedika Co. Ltd., to support our aim to integrate sports, wellness and hospitality components in our masterplans

### Value Created for the Business

- Reduced inventory by 37% compared to FY2022, which resulted in strong growth in sales performance.
- Improved retail asset performance, achieving 8% average gross yield as compared to 6% in FY2022.
- Refined masterplans to optimise GDV and improve land efficiency.

### Value Created for the Stakeholders

#### Customers

- Greater clarity on product segmentation, based on affordability and lifestyle needs.
- Enhanced satisfaction through more personalised experiences.

#### Community

- Access to developments with greater security, open spaces and infused with sustainable elements.

#### Employees

- Clarity on scope of work with identified product positioning and marketing strategy.

### Outlook

We will continue to dedicate our efforts to creating value for customers by seeking avenues to enhance our product offerings. The establishment of the SDDG will act as a key reference point in incorporating sustainability elements into our product design, which will become a key differentiation factor and our competitive advantage.

To further improve customer experience, our Customer Experience team is committed to undertake pre-delivery inspection for all units prior to Vacant Possession, conduct proactive customer engagement, obtain real-time customer feedback at various touchpoints, intensify loyalty programme rewards and benefits, conduct analysis on lessons learnt to improve future products and adopt digitalisation to improve efficiency. In addition, there will be continuous training and upskilling initiatives for all front liners to improve customer service standards. Current standard operational procedures will also be continuously reviewed and improved to cater to evolving customer demands.

#### Capitals:



#### Material Matters:



#### Stakeholders:



# Strategic Performance Review

## ASSET PORTFOLIO REPRIORITISATION

### What It Means

Reprioritised development programme, including divesting non-strategic assets, following a thorough portfolio review.

### Our Approach

- Divested non-strategic land.
- Conducted commercial asset rationalisation.
- Implemented joint-venture (JV) rationalisation.

### What We Did

- Monetised land in Southern and Central region for RM189.3 million and RM85.0 million respectively.
- Entered into an agreement to divest our shares in Roc-Union Proprietary Ltd, en route to cease operation in South Africa.
- Disposed a 6% stake in Nusajaya Lifestyle Sdn Bhd, the developer and operator of the Mall of Medini for RM8.9 million. With this disposal, UEM Sunrise is no longer the main driver of the development.

### Value Created for the Business

Achieved revenue recognition of RM276.6 million through the disposal of non-strategic land, representing 21% of total revenue.

### Value Created for the Stakeholders

#### Shareholders and Investors

- Strategic monetisation initiatives have increased liquid assets and improved cash flows. This enables the Company to consider deleveraging, reinvesting in core business operations, disbursing dividends, meeting operational expenses, and establishing reserves to address prospective financial challenges. This positive financial trajectory is poised to yield favourable outcomes for our stakeholders.

#### Outlook

We remain committed to maintaining a robust balance sheet and we will do this by continuously identifying non-core assets and land for strategic disposal.

Aligned with the U2030 priorities, this strategic approach involves reinforcing the balance sheet through initiatives dedicated to the monetisation of non-strategic land, non-core assets and selected joint ventures. The proceeds from these efforts will be strategically channelled towards debt reduction, new land acquisitions and other sustainable growth initiatives. We remain steadfast in driving operational excellence until the completion of these strategic disposals.

#### Capitals:



#### Material Matters:



#### Stakeholders:



## EMBED SUSTAINABILITY

### What It Means

Align organisational practices with corporate strategy to mitigate adverse impacts on ESG aspects stemming from operational activities.

### Our Approach

- Intensified our focus on ESG agenda
- Improved reporting and transparency
- Implemented Sustainability Blueprint.

### What We Did

- Established the SDDG as a design guideline for all developments to minimise our impact on environment, improve social impact and promote economic development.
- Achieved a FTSE4Good score of 3.6, marking an improvement from 3.5 in 2022.
- Introduced an upgraded version of ProSus, UEM Sunrise's web application designed for capturing and analysing sustainability data from both internal and external projects.
- Launched an enhanced version of hUb prop, enabling customers to contribute to the Company's tree planting initiative in the 343-acre forest reserve known as SIREH Park in Johor.
- Signed an MoU with Universiti Malaya, through Mega Legacy (M) Sdn Bhd, to assess the water quality and heavy metal contents of the lake in Kepong Metropolitan Park adjacent to Kiara Bay.

### Value Created for the Business

- Established a sustainability-focused workplace culture by fostering shared beliefs and aspirations, to realise our Sustainability Blueprint goals.
- Strengthened relationships with ESG investors, financing partners and funders.
- Implemented initiatives and programmes to protect the society and the environment from adverse environmental impact.
- Improved public confidence and trust levels through transparent communication practices.

### Value Created for the Stakeholders

#### Employees

- Offered flexible working arrangements.
- Provided a safe working environment to our employees.
- Promoted health and wellbeing of our employees.

#### Community

- Created a platform for conscientious people to connect and live sustainably.
- Increased asset value and investment for property buyers.
- Enriched lives of our local communities.

### Outlook

Demonstrating our commitment to transparency and responsible business practices, we will conduct a thorough climate-related impact analyses, in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. These analyses will be aligned with the 1.5-degree scenario, demonstrating our focus on understanding and mitigating the environmental impact of our operations.

In championing environmental stewardship, we will formulate biodiversity implementation guidelines tailored specifically for our projects. This initiative further reinforces our commitment towards integrating biodiversity conservation into our projects, thereby making a substantial contribution to the preservation of ecosystems.

We will also continue to enhance our reporting and data gathering process on GHG emissions, paving the way for more effective measures to reduce our carbon footprint.

#### Capitals:



#### Material Matters:



#### Stakeholders:



# U2030 TRANSFORMATION PLAN

External headwinds and internal challenges in the past have impeded our ability to achieve targets and effectiveness in value creation. In November 2021, we launched the Triage, Stabilise and Sustain (TSS) strategic turnaround plan to fix the most pressing and fundamental issues facing UEM Sunrise. Throughout 2022 and 2023, we undertook Triage initiatives to suture the bleed and improve internal efficiency. We are proud to report that the Triage initiatives yielded significant results in 2023, creating value via increased GDV launches, improved retail performance and enhanced operational efficiency.

Concurrently, we undertook an extensive exercise to identify emerging gaps, and subsequently validate the TSS plans and formulate a comprehensive transformation programme. Approved by the Board of Directors in 2023, the U2030 Transformation Plan will now be the corporate strategy to realise our aspirations, and its execution commencing in 2024 will be fuelled by our commitment and drive to see the realisation of the transformation programme.

The U2030 Transformation Plan key dimensions will enable us to create value and achieve our targets, whilst realising the organisation’s CHIEF Values and Purpose. The overall transformation plan is illustrated by the U2030 Strategy House, as shown below:



<b>PURPOSE</b>	<b>A Balanced Real Estate Company</b>				
<b>VALUES</b>	<b>CHIEF Values</b>				
<b>GOALS</b>	<b>Maximising Gross Profit</b>	<b>Healthy PATANCI</b>	<b>Efficient Asset Turnover</b>	<b>Higher ROE</b>	<b>Optimising Net Gearing</b>
<b>GROWTH PILLARS</b>	<b>Residential</b>	<b>Integrated Development</b>	<b>Industrial</b>	<b>Commercial</b>	<b>International</b>
<b>PRE-REQUISITES</b>	<b>Pipeline Readiness</b>			<b>Balance Sheet Reinforcement</b>	
<b>ENABLERS</b>	<b>Product Development</b>	<b>Innovation</b>	<b>Digital</b>	<b>Marketing</b>	<b>Sustainability</b>
<b>FOUNDATIONS</b>	<b>People</b>		<b>Culture</b>		<b>Processes</b>

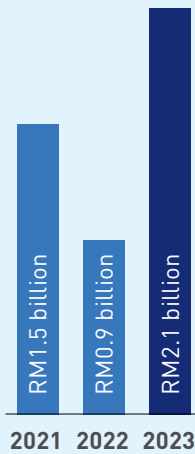
<b>PURPOSE</b>	<p><b>A Balanced Real Estate Company</b></p> <p>We are transforming the Company into a balanced real estate player by 2030, with core emphasis on long term sustainable growth and value creation for our stakeholders.</p>
<b>VALUES</b>	<p><b>CHIEF Values</b></p> <p>Our values will drive organisational alignment to achieve the U2030 Transformation Plan's purpose.</p>
<b>GOALS</b>	<p>Performance targets aimed at improving organisational performance to deliver higher returns and drive value creation for our stakeholders.</p>
<b>GROWTH PILLARS</b>	<p>U2030 is premeditated to capitalise on:</p> <ul style="list-style-type: none"> <li>• Rapid urbanisation and improving economic conditions that will continue to drive demand for residential properties</li> <li>• Growing emphasis for urban integrated living that has created a strong demand for products that provides a holistic modern living experience</li> <li>• Robust growth of the industrial sector, driven by the expansion of e-commerce, logistics and data centres, supported by key infrastructure and policy such as the Johor Bahru-Singapore Rapid Transit System, the New Industrial Master Plan 2030 and the National Energy Transition Roadmap</li> <li>• The demand for commercial centres to complement our townships and add value to the community</li> <li>• Our well-established track record in Australia and the emerging opportunities in its real estate market</li> </ul>
<b>PRE-REQUISITES</b>	<p>Solid project pipeline coupled with strong balance sheet are crucial to maximise performance and generate steady property development revenue stream to support the transformation plan.</p>
<b>ENABLERS</b>	<p>Reinforcing the transformation journey will be:</p> <ul style="list-style-type: none"> <li>• Unique value proposition that stems from functional, customer-centric product development designs</li> <li>• Innovative solutions to product delivery</li> <li>• Digital technology that will enhance effectiveness and efficiency</li> <li>• Creative marketing and branding to communicate our product value proposition and build brand awareness and loyalty</li> <li>• Sustainable product design, operations and processes, as guided by our Sustainability Blueprint and Sustainable Development Design Guideline</li> </ul>
<b>FOUNDATIONS</b>	<p>Core to our transformation plan are:</p> <ul style="list-style-type: none"> <li>• The diverse skills and knowledge of our people</li> <li>• Our shared culture that thrives on adaptability, creativity and inclusivity</li> <li>• Efficient and effective end-to-end delivery process</li> </ul>



# KEY ACHIEVEMENTS

## FINANCIAL

### Sales Performance



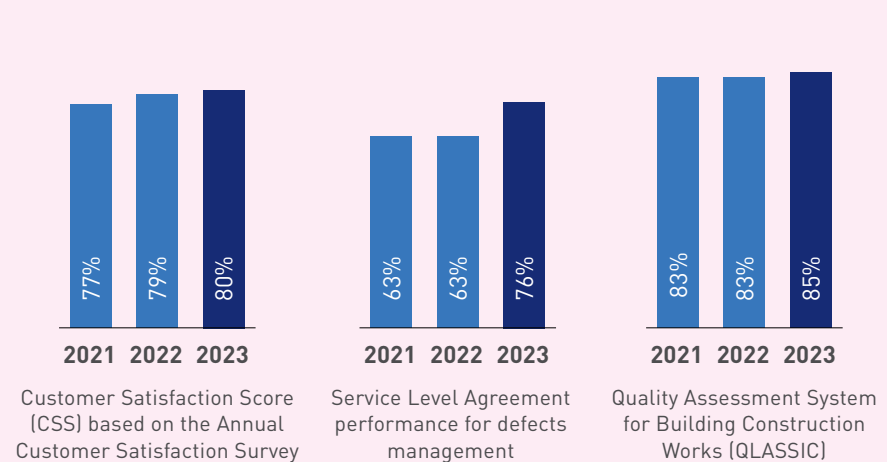
#### Objective

To monitor and quantify annual sales achievement for improvements in revenue and profitability.

**2023 Target**  
**RM1.5 billion**

## NON-FINANCIAL

### Customer Management



#### Objective

To deliver quality and sustainable homes and ensure the satisfaction of our customers while enhancing customer journey, building lasting relationships, delivering value, and earning their trust and loyalty.

**2023 Target**  
**81%**

**2023 Target**  
**80%**

**2023 Target**  
**83%**

### Launched GDV

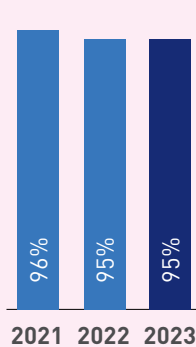


#### Objective

To create sales which will later translate into revenue upon the execution of the relevant definitive agreements between UEM Sunrise and the customers and in line with the progress of development on site. The size of the annual GDV launched is important for the Company's long term sustainable growth.

**2023 Target**  
**RM2.5 billion**

### Health and Safety



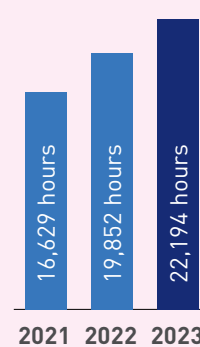
Safety and Health Assessment System in Construction (SHASSIC)

#### Objective

To strive to provide safe working conditions for our employees and ultimately developing a high-performing workforce

**2023 Target**  
**90%**

### Employee Management



Total hours of training for all employees in a year

#### Objective

To uphold inclusivity and diversity within our workforce to ensure that comprehensive learning and development are available to all by implementing fair opportunities and the values of CHIEF.

**2023 Target**  
**20,000 hours**