



UEM SUNRISE BERHAD

Registration No. 200801028815 (830144-W)

Incorporated In Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

THE FIGURES HAVE NOT BEEN AUDITED

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current year quarter 31/12/2019 RM'000	Preceding year corresponding quarter 31/12/2018 (restated) RM'000	Year Ended 31/12/2019 RM'000	Year Ended 31/12/2018 (restated) RM'000
1. (a) Revenue		1,162,029	752,789	2,909,461	2,043,986
(b) Cost of sales		(851,296)	(562,442)	(2,112,024)	(1,302,726)
(c) Gross profit		310,733	190,347	797,437	741,260
(d) Other income		27,916	16,255	70,909	63,614
(e) Expenses		(140,197)	(123,889)	(388,788)	(322,214)
(f) Finance costs		(22,167)	(29,414)	(106,801)	(100,966)
(g) Foreign exchange gain/(loss)		5,651	(8,844)	(8,553)	(6,705)
(h) Share of net results of associates		11,650	11,838	(2,432)	3,773
(i) Share of net results of joint ventures		12,448	13,606	22,756	37,287
(j) Profit before income tax and zakat		206,034	69,899	384,528	416,049
(k) Income tax and zakat	14	(80,949)	(50,184)	(161,858)	(135,566)
(l) Profit for the period/year		125,085	19,715	222,670	280,483
Attributable to:					
(m) Owners of the Parent		126,245	19,746	223,801	279,998
(n) Non-controlling Interests		(1,160)	(31)	(1,131)	485
Profit for the period/year		125,085	19,715	222,670	280,483
2. Earnings per share based on 1(m) above	22				
(a) Basic earnings per share		2.78 sen	0.44 sen	4.93 sen	6.00 sen
(b) Diluted earnings per share		2.45 sen	0.38 sen	4.34 sen	5.28 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this quarterly announcement.



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I(B). CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2019 RM'000	Preceding year corresponding quarter 31/12/2018 (restated) RM'000	Year Ended 31/12/2019 RM'000	Year Ended 31/12/2018 (restated) RM'000
Profit for the period/year	125,085	19,715	222,670	280,483
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent period:				
Foreign currency translation differences for foreign operations	4,661	(18,848)	503	(58,418)
Transfer to profit or loss on settlement of cash flow hedge	-	-	942	-
Cash flow hedge	(11,929)	4,024	(15,988)	19,697
Total other comprehensive expense for the period/year, net of tax	(7,268)	(14,824)	(14,543)	(38,721)
Total comprehensive income for the period/year	117,817	4,891	208,127	241,762
Attributable to:				
Owners of the Parent	119,040	4,915	209,280	241,167
Non-controlling Interests	(1,223)	(24)	(1,153)	595
Total comprehensive income for the period/year	117,817	4,891	208,127	241,762

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this quarterly announcement.



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I(C). REMARKS TO CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year	Preceding year	Year Ended	Year Ended
	quarter	corresponding	Year Ended	Year Ended
Note	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Profit before income tax and zakat is arrived at after charging/(crediting):				
Finance cost:				
- interest expense	22,167	29,414	105,859	100,966
- fair value on derivative liability	-	-	942	-
Impairment of interests in a joint venture (a)	13,793	673	51,113	10,207
Depreciation	12,655	7,173	47,147	26,979
Interest income	(10,762)	(10,953)	(38,593)	(42,306)
(Gain)/loss on foreign exchange:				
- unrealised	(6,421)	14,949	9,036	16,540
- realised	770	(6,105)	(483)	(9,835)
Dividend income from investment at fair value through profit or loss	-	(2,261)	(1,573)	(3,249)
Write back of allowance for impairment of receivables	(828)	(815)	(2,043)	(1,560)
Allowance for doubtful debts	1,551	6,495	1,909	6,961
Bad debts written off	-	331	-	331
Net allowance for impairment of inventories	4,922	17,842	4,922	27,558
Restructuring cost (b)	25,907	-	25,907	-
Gain on disposal of investment properties	-	-	(2,048)	-

Other than the above, there was no write-off of inventories, write-back of impairment of assets, exceptional items and reversal of provisions for the costs of restructuring.

Note (a):

In May 2018, a major customer notified Malaysian Bio-XCell Sdn. Bhd. ("MBX"), a joint venture of the Group, of its intention to cease business. This has resulted in material uncertainty surrounding MBX. On 12 March 2019, MBX informed the Group that a receiver and manager was appointed by the Bank. On 18 July 2019, Kuala Lumpur High Court granted the order for MBX to be wound up pursuant to the creditors' liquidation. The Group has continuously assessed the carrying value of its interests in MBX and recorded full impairment losses of RM51,113,000 (2018: RM10,207,000) in the current year. The Group has not provided any guarantee for the loan entered by MBX.

Note (b):

The Group implemented a staff separation scheme during the financial year for operational and cost efficiencies whereby 276 staff opted for the scheme.



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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at current financial year end 31/12/2019 RM'000	Unaudited As at preceding financial year end 31/12/2018 (restated) RM'000
ASSETS			
1. Non-current assets			
Property, plant and equipment		456,056	445,552
Investment properties		845,611	728,703
Right-of-use assets		28,529	-
Land held for property development		5,618,794	4,711,896
Interests in associates		498,572	500,635
Interests in joint ventures		1,030,838	993,441
Amounts due from joint ventures		158,464	257,149
Goodwill		621,409	621,409
Contract assets		2,752	10,168
Deferred tax assets		282,926	283,601
Long term receivables		166,052	113,434
		9,710,003	8,665,988
2. Current assets			
Interests in a joint venture		-	53,216
Property development costs		877,385	1,821,615
Inventories held for sale		546,527	695,271
Inventories under contract of sale		408,304	607,412
Receivables		641,741	948,761
Contract assets		175,988	106,726
Amounts due from associates		4,854	1,537
Amounts due from joint ventures		48,349	79,144
Derivative asset	17	-	15,956
Short term investment		329	49,741
Cash, bank balances and deposits		1,057,446	1,078,601
		3,760,923	5,457,980
Total assets		13,470,926	14,123,968



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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Note	Unaudited As at current financial year end 31/12/2019 RM'000	Unaudited As at preceding financial year end 31/12/2018 (restated) RM'000
EQUITY AND LIABILITIES			
3. Equity attributable to Owners of the Parent			
Share capital		5,110,276	5,110,276
Reserves			
Merger relief reserves		34,330	34,330
Other reserves		13,671	64,216
Retained profits		2,127,892	1,868,067
		7,286,169	7,076,889
4. Non-controlling Interests		468,332	363,722
Total equity		7,754,501	7,440,611
5. Non-current liabilities			
Borrowings	16	2,337,883	2,394,812
Lease liabilities		19,714	-
Payables		170,241	6,080
Contract liabilities		258,646	291,116
Deferred income		164,193	151,864
Provisions		68,404	85,862
Deferred tax liabilities		238,426	234,762
		3,257,507	3,164,496
6. Current liabilities			
Provisions		192,400	295,070
Payables		1,069,160	845,790
Contract liabilities		66,240	39,522
Borrowings	16	1,048,978	2,288,689
Lease liabilities		10,380	-
Derivative liability		-	910
Tax payable		71,760	48,880
		2,458,918	3,518,861
Total liabilities		5,716,425	6,683,357
Total equity and liabilities		13,470,926	14,123,968
7. Net assets per share attributable to Owners of the Parent		RM 1.61	RM 1.56

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this quarterly announcement.



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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Year Ended 31/12/2019 RM'000	Audited Year Ended 31/12/2018 RM'000
Operating Activities			
Cash receipts from customers		3,058,300	2,141,834
Cash receipts from related parties		24,374	29,943
Cash receipts for refund of deposits		-	22,000
Cash payments to contractors		(732,423)	(1,560,945)
Cash payments for land and development related costs		(115,838)	(134,441)
Cash payments to related parties		(16,493)	(4,203)
Cash payments to employees and for expenses		(476,085)	(340,633)
Cash generated from operations		1,741,835	153,555
Net income tax and zakat paid		(103,068)	(48,761)
Interest received		21,859	27,976
Net cash generated from operating activities		1,660,626	132,770
Investing Activities			
Dividend received from a joint venture		30,000	50,000
Repayment from a joint venture		2,000	2,001
Deposit refund for development rights of a land		10,000	-
Purchase of property, plant and equipment		(35,933)	(57,960)
Proceeds from disposal of investment property		2,417	-
Advances to joint ventures		(18,861)	(9,194)
Investment in joint ventures		-	(300)
Business combination	11(a)	(214,074)	-
Investment in land held for property development		(45,000)	(133,500)
Net investment in short term investments		49,367	75,000
Deposit paid for subscription of shares		-	(50,000)
Net cash used in investing activities		(220,084)	(123,953)



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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Note	Unaudited Year Ended 31/12/2019 RM'000	Audited Year Ended 31/12/2018 RM'000
Financing Activities			
Drawdown of borrowings		990,502	1,098,371
Drawdown of Islamic Medium Term Notes		300,000	800,000
Repayment of borrowings		(2,252,115)	(563,100)
Repayment of Islamic Medium Term Notes		(300,000)	(800,000)
Repayment of lease liabilities		(4,507)	-
Dividend paid		-	(53,299)
Interest paid		(195,188)	(195,639)
Net cash (used in)/generated from financing activities		(1,461,308)	286,333
Effects of exchange rate changes		556	(23,938)
Net (decrease)/increase in cash and cash equivalents		(20,210)	271,212
Cash and cash equivalents as at beginning of financial year		1,076,943	805,731
Cash and cash equivalents as at end of financial year	(a)	<u>1,056,733</u>	<u>1,076,943</u>
		Unaudited As at 31/12/2019 RM'000	Audited As at 31/12/2018 RM'000

(a) Cash and cash equivalents comprise of the following amounts:

Cash, bank balances and deposits			
Unrestricted		877,222	358,567
Restricted		180,224	720,034
		1,057,446	1,078,601
Bank overdrafts (included in short term borrowings)	16	(713)	(1,658)
Cash and cash equivalents		<u>1,056,733</u>	<u>1,076,943</u>

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this quarterly announcement.



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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	← Attributable to Owners of the Parent →						Non-controlling Interests	Total Equity	
	← Non-distributable →			Distributable					
	Note	Share Capital RM'000	Merger Relief Reserves RM'000	Cash Flow Hedge Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000			Total RM'000
Financial year ended 31 December 2019									
(Unaudited)									
At 1 January 2019 (as previously reported)		5,110,276	34,330	15,046	49,170	1,881,612	7,090,434	363,722	7,454,156
Effect of MFRS 15 restatement		-	-	-	-	(13,545)	(13,545)	-	(13,545)
At 1 January 2019 (restated)		5,110,276	34,330	15,046	49,170	1,868,067	7,076,889	363,722	7,440,611
Total comprehensive income for the year		-	-	(15,046)	525	223,801	209,280	(1,153)	208,127
Business combination	11(a)	-	-	-	-	-	-	105,763	105,763
ESOS expiry of vested employee share options		-	-	-	(36,024)	36,024	-	-	-
At 31 December 2019		5,110,276	34,330	-	13,671	2,127,892	7,286,169	468,332	7,754,501
Financial year ended 31 December 2018									
(Unaudited and Restated)									
At 1 January 2018 (as previously reported)		5,110,276	34,330	(4,651)	112,733	1,649,543	6,902,231	363,127	7,265,358
Effect of MFRS 15 restatement		-	-	-	-	(13,210)	(13,210)	-	(13,210)
At 1 January 2018 (restated)		5,110,276	34,330	(4,651)	112,733	1,636,333	6,889,021	363,127	7,252,148
Total comprehensive income for the year		-	-	19,697	(58,528)	279,998	241,167	595	241,762
ESOS expiry of vested employee share options		-	-	-	(5,035)	5,035	-	-	-
Dividend paid		-	-	-	-	(53,299)	(53,299)	-	(53,299)
At 31 December 2018 (restated)		5,110,276	34,330	15,046	49,170	1,868,067	7,076,889	363,722	7,440,611

The Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to this quarterly announcement.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard 134 : Interim Financial Reporting and also in compliance with IAS 34 : Interim Financial Reporting issued by the International Accounting Standard Board and applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The notes to the condensed consolidated interim financial statements should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2018, which have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act 2016.

2. Changes in accounting policies and methods of computation

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2018 except for the newly issued MFRS, interpretation and amendments to standards to be applied by all Entities Other Than Private Entities for the financial periods beginning on or after 1 January 2019:

MFRS 16 : Leases

MFRS 3 : Business Combinations (Amendments to MFRS 3)

MFRS 9 : Prepayment Features with Negative Compensation (Amendments to MFRS 9)

MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

MFRS 119 : Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

IC Interpretation 23 : Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

The adoption of the above new standards and other pronouncements did not have any significant effects on the interim financial statements upon their initial application, other than as disclosed below:

Agenda Decision 4 ("AD4"): Over Time Transfer of Constructed Good

In March 2019, the International Financial Reporting Standard Interpretation Committee concluded that interest cost should not be capitalised for assets created under the percentage of completion method i.e. receivables, contract assets and inventories as these assets do not meet the definition of qualifying assets.

On 20 March 2019, the Malaysian Accounting Standards Board allowed the affected entities to apply the changes in accounting policies to their financial statements in relation to AD4 beginning on or after 1 July 2020.

For the impact assessment of AD4, the profits before income tax and zakat for current year and comparative period are expected to reduce by 1.5% and 0.6% respectively due to the finance cost expensed off from ongoing development projects, for which previously capitalised under property development costs. The impact is diluted by the improvement to gross profits for property development. There is no impact to the revenue and no significant impact to the consolidated statement of financial position during the aforementioned periods. The Group has not reflected any adjustments arising from AD4 impact assessment.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Changes in Accounting policies and methods of computation (cont'd)

MFRS 3 : Business Combinations (Amendments to MFRS 3)

MFRS 3: Business Combinations ("MFRS 3") establishes different accounting requirements for a business combination as opposed to the acquisition of an asset or a group of assets that does not constitute a business.

MFRS 3 stated that a business consists of inputs and processes applied to those inputs that have the ability to create outputs, although outputs are not necessarily required as an integrated set to qualify as a business. However, there is ambiguity in the interpretation and application of a business. Amendment to MFRS 3: Business Combinations ("revised MFRS 3") clarifies the definition of a business, with the objective of helping entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The revised MFRS 3 is effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments among others clarify the minimum requirements for a business, narrow the definitions of the business and introduce an optional fair value concentration test.

The Group opts for early adoption of revised MFRS 3 during the financial year. With the early adoption of revised MFRS 3, the acquisition of Mega Legacy (M) Sdn Bhd on 15 April 2019 is accounted as acquisition of assets.

MFRS 16 : Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance-sheet model similar to the accounting for finance leases under MFRS 117.

(a) Change in accounting policies

Upon the adoption of MFRS 16, for all leases for which the Group as a lessee:

- (i) Recognises right-of-use ("ROU") assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- (ii) Recognises depreciation of ROU assets and interest on lease liabilities in consolidated income statement; and
- (iii) Classification of the total amount of cash paid as financing activities in the statement of cash flows.

The Group adopted the following accounting policy choices and elected to apply the following practical expedients:

- (i) Fixed non-lease components embedded in the lease contract are not separated out from lease payments in measuring lease liabilities and are capitalised as ROU assets;
- (ii) Leases with a lease term of 12 months or shorter are exempted from recognition; and
- (iii) Leases for low-value assets, largely office equipment, are exempted from recognition.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Changes in Accounting policies and methods of computation (cont'd)

(cont'd)

(b) Impact of adoption of MFRS 16

The Group assesses whether a contract is or contains a lease based on the definition of a lease and related guidance set out in MFRS 16.

Leases previously accounted for as operating leases

The Group recognised ROU assets and lease liabilities for leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group has opted for the ROU assets to be carried at an amount equal to the lease liabilities.

In summary, the impact of MFRS 16 adoption to the opening balances in the consolidated statement of financial position as following:

Extract of consolidated statement of financial position as at 1 January 2019

	As per restated RM'000	Impact of MFRS 16 adoption RM'000	After adoption RM'000
Assets			
Non-current assets			
Right-of-use assets	-	39,326	39,326
Other non-current assets	8,665,988	-	8,665,988
	<u>8,665,988</u>		<u>8,705,314</u>
Current assets	5,457,980		5,457,980
Total assets	<u>14,123,968</u>		<u>14,163,294</u>
Total equity	<u>7,440,611</u>	-	<u>7,440,611</u>
Liabilities			
Non-current liabilities			
Lease liabilities	-	29,932	29,932
Other non-current liabilities	3,164,496	-	3,164,496
	<u>3,164,496</u>		<u>3,194,428</u>
Current liabilities			
Lease liabilities	-	9,394	9,394
Other current liabilities	3,518,861	-	3,518,861
	<u>3,518,861</u>		<u>3,528,255</u>
Total liabilities	<u>6,683,357</u>		<u>6,722,683</u>
Total equity and liabilities	<u>14,123,968</u>		<u>14,163,294</u>



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Changes in Accounting policies and methods of computation (cont'd)

(cont'd)

Restatement of MFRS 15 : Revenue from Contracts with Customers

Prior to adoption of MFRS 15 in 2018, a joint venture company of the Group has taken up non-refundable entrance fee as income upon activation of the golf club memberships. Under MFRS 15, no revenue should be recognised upon receipt of an upfront fee, even if it is non-refundable, if the fee does not relate to the satisfaction of a performance obligation.

Upon adoption of MFRS 15, non-refundable upfront fees are included in the transaction price and allocated to the performance obligation (i.e. access to golf club facilities over the term of the club membership) in the contract. Revenue is recognised when the performance obligations are satisfied.

The Group has reflected the impact arising from the restatement of MFRS 15 by a joint venture company to the financial statements of the Group. The resulted change to consolidated income statement in the previous financial year is marginal at RM335,000. The equity as at 31 December 2017 is lower by an amount of RM13,210,000.

3. Audit report in respect of the 2018 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2018 is not qualified.

4. Seasonal or cyclical factors

The Group's operations are not subject to any significant seasonal or cyclical factors.

5. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current year.

6. Material changes in estimates used

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current year except for the estimates related to construction cost resulting in project cost savings of 2.6% over cost of sales.

7. Debt and equity securities

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year ended 31 December 2019 except for the issuance of Islamic Medium Term Notes ("IMTN") from its IMTN Programme as follows:

Date	Transaction	Amount (RM'Million)	Tenure	Rate (per annum)
22 Mar 2019	Issuance	300	5 years	4.75%
24 May 2019	Repayment	(100)	1 year	4.62%
28 Jun 2019	Repayment	(200)	5 years	4.72%

The proceeds from the IMTN are for UEMS' Shariah-compliant general corporate purposes.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Dividend

The Directors do not recommend the payment of any dividend for the current financial year ended 31 December 2019 (2018 : Nil).

9. Material events subsequent to the end of the current financial year

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 31 December 2019 to the date of this announcement which would substantially affect the financial results of the Group for the financial year ended 31 December 2019 that have not been reflected in the condensed financial statements.

10. Operating segments

Operating segments information for the financial year ended 31 December 2019 is as follows:

	Property development		Property investment	Others	Eliminations	Consolidated
	In Malaysia	Outside Malaysia	and hotel operation			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	844,473	1,942,022	83,729	39,237	-	2,909,461
Inter-segment revenue	-	-	2,228	123,816	(126,044)	-
Total revenue	844,473	1,942,022	85,957	163,053	(126,044)	2,909,461
Results						
Segment results	130,569	438,203	3,752	(50,744)*	(50,775)	471,005
Finance costs	(75,427)	(12,180)	(35,279)	(34,690)	50,775	(106,801)
Share of results of associates	4,529	(2,366)	-	(4,595)	-	(2,432)
Share of results of joint ventures	32,086	-	(7,227)	(2,103)	-	22,756
Profit/(loss) before income tax and zakat	91,757	423,657	(38,754)	(92,132)	-	384,528
Income tax and zakat	(23,829)	(138,907)	(206)	1,084	-	(161,858)
Profit/(loss) for the year	67,928	284,750	(38,960)	(91,048)	-	222,670
Attributable to:						
Owners of the Parent	69,520	284,750	(38,960)	(91,509)	-	223,801
Non-controlling Interests	(1,592)	-	-	461	-	(1,131)
Profit/(loss) for the year	67,928	284,750	(38,960)	(91,048)	-	222,670
Assets						
Segment assets	10,019,562	1,173,675	1,020,052	265,995	(624,932)	11,854,352
Interests in:						
- associates	486,738	10,211	-	1,623	-	498,572
- joint ventures	919,342	-	111,496	-	-	1,030,838
Tax recoverable	85,589	-	316	1,259	-	87,164
Total assets	11,511,231	1,183,886	1,131,864	268,877	(624,932)	13,470,926
Liabilities						
Segment liabilities	5,136,686	200,179	760,666	172,066	(624,932)	5,644,665
Tax payable	17,482	54,218	6	54	-	71,760
Total liabilities	5,154,168	254,397	760,672	172,120	(624,932)	5,716,425

* Including impairment loss of interests in MBX of RM51,113,000 during the year.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Changes in the composition of the Group

There were no significant changes in the composition of the Group up to the date of this announcement including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operation since the preceding financial year ended 31 December 2018 except as stated below:

- (a) On 15 April 2019, Sunrise Berhad, a wholly-owned subsidiary of the Company, completed the subscription of 500,001 new ordinary shares representing 50% + 1 share of the equity interest in Mega Legacy (M) Sdn Bhd ("MLM") for a cash consideration of RM256.1 million. Consequently, MLM has become an indirect subsidiary of the Company. The Group accounted the acquisition of MLM as an acquisition of assets following the early adoption of revised MFRS 3 as disclosed in Note 2.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Carrying Value RM'000
Assets	
Land held for property development	657,205
Receivables	1,175
Cash and bank balances	106
	<u>658,486</u>
Liabilities	
Payables	<u>(446,960)</u>
Net identifiable assets acquired	211,526
Add: Land cost adjustment	150,297
Less: Non-controlling Interest	<u>(105,763)</u>
Purchase consideration (including 2018: RM 41,986,000)	<u>256,060</u>

- (b) The Company on 16 August 2019 announced that Nusajaya Business Park Sdn Bhd ("NBP") and UEM Sunrise Pacific Sdn Bhd ("USP"), both indirect subsidiary companies of the Company, have been struck off from the register and dissolved following the publication of the notice of striking off pursuant to Section 551(3) of the Companies Act 2016 in the Gazette on 14 June 2019.

Accordingly, NBP and USP ceased to be subsidiaries of the Company.

- (c) On 19 August 2019, the returns by the Liquidator relating to the final meeting was lodged with the Companies Commission of Malaysia and Official Receiver for Preferred Resources Sdn Bhd and UEM Sunrise Ventures Sdn Bhd, the indirect subsidiaries (the "Subsidiary Companies") of the Company. Pursuant to Section 459(5) of the Companies Act 2016, the Subsidiary Companies will be dissolved on the expiration of three (3) months after the date of lodgement of the returns by the Liquidator and cease to be subsidiaries of the Company.

The dissolution of the Subsidiary Companies will not have any material effect on the earnings, gearing or net assets of the Company for the financial year ended 31 December 2019.

- (d) The Company on 8 October 2019 announced that Saga Centennial Sdn Bhd ("SCSB"), an indirect subsidiary of the Company has been struck off from the register and dissolved following the publication of the notice of striking off pursuant to Section 551(3) of the Companies Act 2016 gazetted on 17 June 2019.

Accordingly, SCSB ceased to be an indirect subsidiary of the Company.



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12. Contingent liabilities

There are no changes in the contingent liabilities since the preceding financial year ended 31 December 2018 except as disclosed below:

(a) Income tax assessment

On 3 October 2011, Bandar Nusajaya Development Sdn Bhd ("BND"), an indirect wholly-owned subsidiary of the Company, received a notice of additional assessment ("Form JA") from the Inland Revenue Board ("IRB") for additional tax and penalty of RM50.9 million and RM22.9 million respectively, totalling to RM73.8 million in respect of the year of assessment 2006.

On 4 September 2012, the Kuala Lumpur High Court ("KLHC") ruled in favour of BND and declared that the IRB had no legal basis to raise the additional assessment. Following the decision held by KLHC, the IRB had filed an appeal to the Court of Appeal ("CoA") against the decision made.

The CoA, having heard and considered the submissions by both parties on 19 and 20 May 2014, unanimously decided that there were no merits in the appeal by the IRB and thus agreed with the decision of KLHC which ruled in favour of BND. The IRB had on 18 June 2014 filed an application for leave to the Federal Court ("FC") to appeal against the decision of CoA.

On 18 October 2016, the FC reversed the decisions of CoA and KLHC and ordered that BND appeal by way of filing a notice of appeal ("Form Q") to the Special Commissioners of Income Tax ("SCIT"). The FC's decision resulted in the Form JA totalling RM73.8 million to become due and payable within 30 days, which was fully paid on 5 December 2016.

Subsequent to the FC's decision, on 25 and 26 October 2016, BND filed the Form Q to the IRB. The Form Q was rejected by the IRB on 25 and 26 October 2016 respectively. On 10 November 2016, BND filed a notice for extension of time to file the Form Q ("Form N") which was rejected by the IRB on 8 February 2017.

A judicial review application against the rejection of Form Q was filed on 17 January 2017. In addition to the judicial review, BND filed a written representation directly to the SCIT requesting the approval to file the Form Q. The SCIT granted their approval on 3 March 2017. Vide a letter dated 21 March 2017, the IRB confirmed the receipt of BND's Form Q dated 20 March 2017. The IRB had 12 months from the date of receipt of Form Q to review and present it to the SCIT. The judicial review application was withdrawn on 17 May 2017 given that the IRB did not appeal against the decision of the SCIT.

Vide a letter dated 14 March 2018, the IRB served the Form Q to the SCIT. Case management was fixed before the SCIT on 18 May 2018. Further to the case management, the SCIT fixed this matter for hearing on 14 and 15 September 2021. Upon the hearing of this case, BND's solicitors can then proceed to present the merits of the case to the SCIT. BND's solicitors are of the view that BND has a strong case to argue that the IRB has no legal or factual basis to issue the notice of additional assessment nor there is legal or factual basis for the IRB to impose the penalty.

(b) The Company and its subsidiaries have been subjected to a non-specific investigative audit as of February 2018. To date, IRB audit investigation is still on-going.



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13. Capital commitments

There are no material capital commitments in relation to the Group's capital expenditure except as disclosed below:

	RM'Mil
Approved and contracted for	24.8
Approved but not contracted for	395.4
Total	420.2

14. Income tax and zakat

	Current year quarter 31/12/2019	Preceding year corresponding quarter 31/12/2018	Year Ended 31/12/2019	Year Ended 31/12/2018
	RM'000	RM'000	RM'000	RM'000
Malaysian and foreign income tax				
- current tax	(47,981)	(45,417)	(148,678)	(102,956)
- (under)/over provision in prior periods	(8,894)	(3,311)	(7,847)	2,091
Deferred tax				
- relating to origination and reversal of temporary differences	(22,269)	3,754	(107)	(27,702)
- under provision in prior periods	201	-	(3,220)	(1,789)
Tax expense for the period/year	(78,943)	(44,974)	(159,852)	(130,356)
Zakat	(2,006)	(5,210)	(2,006)	(5,210)
	(80,949)	(50,184)	(161,858)	(135,566)

The effective tax rate (excluding share of results of associates and joint ventures) for the current quarter and current year is higher than the statutory tax rate due to higher tax rate in Australia, non-deductible expenses particularly from impairment loss in a joint venture and unrealised foreign exchange loss, unrecognised tax loss and additional assessment for ongoing tax audit investigation.



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15. Status of corporate proposals announced but not completed as at the date of this announcement

All corporate proposals announced are completed as at the date of this announcement except for the following:

- a) A development agreement and a supplemental development agreement dated 19 December 2007 and 4 November 2010, respectively, between UEM Land Berhad ("UEM Land"), BND and Haute Property Sdn Bhd ("HPSB") for the development of a high end residential enclave over 111 acres held under H.S.(D) 453895, PTD 154910, Mukim Pulau, Daerah Johor Bahru, Johor. The development of the residential enclave is currently on-going.
- b) A Facilities Maintenance and Management Agreement ("FMMA") dated 10 March 2011 between Cahaya Jauhar Sdn Bhd, a 60% owned joint venture of UEM Land and 40% owned by State Government of Johor via Permodalan Takzim Sdn Bhd for the provision of management and maintenance services for Phase 1 of Kota Iskandar. The FMMA covers a period of 30 years with a review of every 3 years.
- c) Three Shareholders' and Shares Subscription Agreements dated 11 June 2012 entered into by the Company and wholly-owned subsidiaries of Desaru Development Holdings One Sdn Bhd (a subsidiary of Desaru Development Corporation Sdn Bhd) ("DDC Cos") (collectively referred to as the "SSAs") to establish the shareholding structure of three separate joint venture companies i.e. Desaru South Course Residences Sdn Bhd ("DSCR"), Desaru North Course Residences Sdn Bhd ("DNCR") and Desaru South Course Land Sdn Bhd ("DSCL") (collectively referred to as "JV Cos") and regulate the relationship between the Company and the DDC Cos for the development of south course land, 304.6 acres, north course land, 370.3 acres and beach fronting land, 3.76 acres, by DSCR, DNCR and DSCL, respectively an aggregate gross area of approximately 678.70 acres ("Desaru Land").

The JV Cos' shareholding is 51% (Company) and 49% (DDC Cos), respectively.

Concurrent with the execution of the SSAs, the JV Cos entered into three separate Sale and Purchase Agreements (collectively referred to as the "SPAs") with the DDC Cos for the proposed acquisition of the Desaru Land at RM485.3 million.

The purchase consideration for the Desaru Land was paid by the JV Cos to the relevant DDC Cos in stages. A total of RM194.1 million was paid.

On 14 June 2019, the Company entered into a term sheet with Themed Attractions Resorts & Hotels Sdn Bhd ("TAR&H"), the penultimate holding company of DDC Cos, where both parties undertake to:

- (i) Revise the existing Desaru Land size to 228 acres in the north course land ("Revised Land Area"), to be retained and developed by DNCR;
- (ii) Cancel all SPAs saved for the Revised Land Area SPA originally entered into between the Company, Desaru North Course Berhad (one of the DDC Cos) ("DNC") and DNCR, which will be amended to reflect relevant revised terms;
- (iii) Agree that the purchase price for the Revised Land Area is RM120.7 million. DNCR has already paid RM78.4 million to DNC under the original SPA. The shortfall of RM42.3 million is set-off against DNC's subscription of new redeemable preference shares to be allotted and issued by DNCR;



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15. Status of corporate proposals announced but not completed as at the date of this announcement (cont'd)

c) (cont'd)

(iv) Agree for the Company to acquire assets owned by the TAR&H group in Puteri Harbour i.e. family entertainment centre, double storey open sided pergola, 13 strata parcels together with accessory parcels at Somerset ("PH Assets") for RM145.0 million ("Proposed Acquisition") to be satisfied as follows:

- (a) RM107.0 million to be set off against the refunds received by DSCR and DSCL under the original SPA and partly from the issuance of new redeemable preference shares by DNCR ("Proposed Settlement"); and
- (b) Remaining RM38.0 million to be settled in cash annually in equal installments over five (5) years starting from one (1) year after the execution of the definitive agreements of the Proposed Settlement and Proposed Acquisition.

On 30 August 2019, UEMS entered into several definitive agreements in relation to the Proposed Settlement. Amongst of which, was the Restructuring Agreement between UEMS and TAR&H to vary the original position of the joint venture arrangement, reduce the size of the Desaru Land and utilise the refunds paid for the Desaru Land to partly pay the Proposed Acquisition, rescission agreements to rescind the SPAs entered into by DSCR and DSCL for the south course land and beach fronting land, a supplemental agreement for the Revised Land Area by DNCR, and SPAs for the Proposed Acquisition with the TAR&H group ("Desaru Settlement Arrangement").

The beneficial ownership of the PH Assets has been transferred to UEM Sunrise Nusajaya Properties Sdn Bhd, UEMS' wholly-owned subsidiary on 1 September 2019. The Desaru Settlement Arrangement is deemed completed on the day that the final instalment for the Proposed Acquisition is paid. As at 17 February 2020, completion is still pending.

d) A Master Agreement dated 23 October 2012 between UEM Land and Ascendas Land (Malaysia) Sdn Bhd ("Ascendas") ("MA") to undertake the development of an integrated tech park over approximately 519 acres of land in Gerbang Nusajaya ("Land"), Iskandar Puteri, Johor ("Proposed Development") comprising the following:

- (i) Phase 1 Land is 205 acres and is further subdivided into two plots identified as Plot A, an estimated area of 120 acres ("Plot A") and Plot B, an estimated area of 85 acres ("Plot B") (collectively "Phase 1 Land") to be held by Company A;
- (ii) Phase 2 Land is 166 acres to be held by Company B ("Phase 2 Land"); and
- (iii) Phase 3 Land is 148 acres to be held by Company C ("Phase 3 Land").

On 26 December 2012, UEM Land and Ascendas entered into the first Subscription Agreement ("SA") to regulate their initial share subscription into Company A now known as Nusajaya Tech Park Sdn Bhd ("NTPSB"). On even date, the parties also entered into a Shareholders' Agreement ("SHA") to govern the parties' relationship as shareholders of NTPSB. The parties will enter into a separate SA and SHA for Company B and Company C in due course collectively referred to as the "Companies". The equity ratio of the parties in the Companies is 60% : 40% (Ascendas : UEM Land) unless otherwise agreed.

Pursuant to the MA, UEM Land also agrees to:

- (i) Transfer Plot A to NTPSB; and
- (ii) Grant to Ascendas the options to:
 - Agree to NTPSB completing the purchase of Plot B; and
 - Purchase the Phase 2 Land and Phase 3 Land via Company B and Company C respectively.

The options are exercisable within nine (9) years from the date of the MA ("Option Period").



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15. Status of corporate proposals announced but not completed as at the date of this announcement (cont'd)

d) (cont'd)

On 28 September 2018, UEM Land and Ascendas entered into the second SA to vary the MA where both parties agreed that, amongst others:

- (i) Phase 2 Land and Phase 3 Land will not be acquired and held by Company B and Company C, respectively and will instead be acquired and held by NTPSB;
- (ii) Company B and Company C will be deleted in its entirety from the MA; and
- (iii) Ascendas is entitled to exercise its option to acquire any plot of Phase 2 Land as well Phase 3 Land ("the Land") independently as long as it is within the Option Period. NTPSB shall be used as the vehicle to acquire the Land.

On even date, UEM Land and Ascendas together with Nusajaya Rise Sdn Bhd, the proprietor of Phase 2 Land also agreed to have Phase 2 Land subdivided into four (4) different plots i.e. Plot C, Plot D, Plot E and Plot F. The parties also agreed that if there is a need to further sub-divide Phase 3 Land into smaller plots, NTPSB will do so at its own cost subject to UEM Land and Ascendas' approval. As at 17 February 2020, NTPSB has yet to exercise its option to acquire any of the plot in Phase 2 Land.

e) A Joint Venture cum Shareholders' Agreements dated 16 February 2016 between a wholly-owned subsidiary of the Company, UEM Land with Leisure Farm Corporation Sdn Bhd ("LFC"), a wholly-owned subsidiary of Mulpha International Berhad ("MIB") and Gerbang Leisure Park Sdn Bhd ("GLP") the intended joint venture company for the proposed collaboration between UEM Land and LFC ("JVA").

Both UEM Land and LFC will work together to jointly develop thirty-eight (38) parcels of freehold lands within Mukim Pulaui. Two parcels owned by UEM Land's indirect wholly owned subsidiaries, Nusajaya Seaview Sdn Bhd ("NSSB") and Nusajaya Rise Sdn Bhd ("NRSB"), measure 136.3 acres (collectively known as "UEML Lands") while thirty-six (36) parcels measuring 65.5 acres are owned by LFC ("LFC Lands") (both UEML Lands and LFC Lands are collectively referred as "JV Lands").

On the same day, NSSB and NRSB entered into a Master Agreement ("MA") with GLP and LFC to record the agreed framework and parameters for the disposal of the JV Lands by NSSB, NRSB and LFC to GLP.

The MA is conditional upon certain conditions precedent and to be fulfilled by the respective landowners within twenty-four (24) months from the date of the MA.

On 14 February 2020, both parties agreed to extend the conditional period to 15 February 2021.

f) The conditional Shareholders' Subscription Agreement ("SSA") between Sunrise Berhad ("SB"), Mega Legacy Equity Sdn Bhd ("MLE") and Mega Legacy (M) Sdn Bhd ("MLM") for a total subscription price of RM279.3 million ("Subscription Price") and Sale and Purchase Agreement ("SPA") between MLM and Datuk Bandar Kuala Lumpur ("DBKL") for the acquisition of ten parcels of 99-year leasehold land measuring approximately 72.73 acres in Mukim Batu, Wilayah Persekutuan from DBKL for a purchase consideration of RM416.4 million. The SSA and SPA are both dated 13 April 2018.



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15. Status of corporate proposals announced but not completed as at the date of this announcement (cont'd)

f) (cont'd)

The Effective Date of the SSA was 2 April 2019, upon the fulfilment of relevant conditions precedent.

The Subscription Price was paid on a staggered basis with the first payment made upon the execution of the SSA while the final payment will be made within twelve (12) months from the date of the SSA or six (6) months from the Effective Date, whichever is later.

The purchase consideration will be paid in cash and in kind as follows:

- (a) RM236.5 million in cash where RM75.4 million was paid as at the SPA date and the remaining RM161.1 million to be paid within three (3) months from the receipt of State Consent for transfer with an automatic extension of nine (9) months at interest of 8% p.a.; and
- (b) RM179.9 million in kind via the completion and handover of a marching field and Jabatan Penguatkuasaan Dewan Bandaraya Kuala Lumpur complex, as well as a multilevel car park to be constructed at Kepong Metropolitan Park, within thirty-six (36) months from the work schedule under the agreement with DBKL.

On the Effective Date, both parties agreed to vary the payment terms of the SSA and SPA via the execution of the supplemental agreement ("SA") to the SSA and SPA. The Subscription Price was revised to RM256.1 million while the purchase consideration is now RM447.0 million. The revised payment terms are as follows:

(a) Subscription Price under the SA to the SSA:

- (i) First payment of RM41.3 million paid on SSA date;
- (ii) Second payment of RM161.0 million to be paid within twelve (12) months from the SSA date or six (6) months from Effective Date whichever later; and
- (iii) Final payment of RM53.7 million to be paid within (thirty) 30 days from the Effective Date.

(b) Purchase consideration under the SA to the SPA:

- (i) First payment of RM75.4 million paid to DBKL on SPA date;
- (ii) Cash balance of RM161.1 million to be paid within three (3) months from receipt of State Consent for transfer with an automatic extension of nine (9) months at interest of 8% p.a.;
- (iii) Additional land value in cash of RM30.6 million to be paid within twelve (12) months from the date of the SA to the SPA; and
- (iv) Balance of RM179.9 million in kind as per the above (no change).

The second payment of the Subscription Price was paid made on 15 April 2019 concurrently with SB's subscription of 500,001 new ordinary shares representing 50% + 1 share of the equity interest in MLM, where upon subscription, MLM becomes the Company's indirect subsidiary. On even date, MLM utilised the partly-paid Subscription Price towards the cash balance of the purchase consideration.

On 30 April 2019, the Company paid off RM34.7 million due to MLM's contractors partly utilised from the final payment of the Subscription Price. The remaining is utilised towards late interest payment for the settlement of the cash balance, MLM's working capital and shareholders' advance.

As at 17 February 2020, the balance payments of the SA to the SPA (b)(iii) and (iv) are still pending.



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15. Status of corporate proposals announced but not completed as at the date of this announcement (cont'd)

- g) The Contract of Sale between UEM Sunrise (St Kilda Road) Pty Ltd acting as a trustee on behalf of UEM Sunrise (St Kilda Road) Unit Trust and ACME Co. No 4 Pty Ltd (“Purchaser”), a trustee for Recap V Management No. 5 Trust, for the divestment of a site and building located at 412 St Kilda Road in Melbourne, Australia, with a net lettable area of approximately 16,258 square meters, 174 car park bays plus all improvements and fixtures for a cash consideration of AUD107.1 million or RM304.1 million (“Price Consideration”) at the exchange rate of AUD1.00 to RM2.84 on 12 November 2019.

Deposit of AUD5.4 million (RM15.3 million) or 5% of the Price Consideration is payable within five (5) business days of the contract’s execution date while the balance AUD101.7 million (RM288.8 million) or 95% of the Price Consideration is to be settled by 20 December 2019 subject to the Purchaser securing a written approval from the Foreign Investment Review Board that the authority has no objection to the divestment. The contract is deemed completed on the settlement date of the balance Price Consideration.

The contract was completed on 24 December 2019.

- h) The Contract of Sale between UEM Sunrise (La Trobe Street) Pty Ltd and Scape Australia Management Pty Ltd (“Purchaser”) for the sale of 252 units of serviced apartment forming part of Aurora Melbourne Central together with 10 car park lots and part of the ground floor retail area measuring a gross floor area of 14,924 square meters at 224-252 La Trobe Street, Melbourne, Australia for a cash consideration of AUD125.0 million (RM354.6 million) (“Purchase Price”) at the exchange rate of AUD1.00 to RM2.837 on 22 November 2019.

The first deposit of AUD6.2 million (RM17.7 million) or 5% of the Purchase Price was paid on the same date, while the second deposit of the same amount was paid on 20 December 2019. The balance AUD112.5 million (RM319.2 million) or 90% of the Purchase Price will be settled in 2Q 2020.

As at 17 February 2020, the contract is still pending.



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16. Borrowings and debt securities

	Long term borrowings			Short term borrowings		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
<u>As at 31 December 2019</u>						
<i>Domestic</i>						
- Loan from immediate holding company	-	-	-	55,916	-	55,916
- Islamic Medium Term Notes	-	2,250,000	2,250,000	-	350,000	350,000
- Term loan and Commodity Murabahah Finance	87,883	-	87,883	117,369	-	117,369
- Revolving credits	-	-	-	180,980	274,000	454,980
- Structured commodity	-	-	-	-	70,000	70,000
- Bank overdrafts	-	-	-	-	713	713
TOTAL	87,883	2,250,000	2,337,883	354,265	694,713	1,048,978

As at 31 December 2018

<i>Domestic</i>						
- Loan from immediate holding company	-	-	-	74,405	-	74,405
- Islamic Medium Term Notes	-	2,300,000	2,300,000	-	300,000	300,000
- Term loan	94,812	-	94,812	90,000	-	90,000
- Commodity Murabahah Finance (denominated in Australian Dollar)	-	-	-	-	739,858	739,858
- Revolving credits	-	-	-	7,000	363,000	370,000
- Bank overdrafts	-	-	-	-	1,658	1,658
<i>Non Domestic</i>						
- Term loan (denominated in Australian Dollar)	-	-	-	322,356	-	322,356
- Commodity Murabahah Finance (denominated in Australian Dollar)	-	-	-	390,412	-	390,412
TOTAL	94,812	2,300,000	2,394,812	884,173	1,404,516	2,288,689

For the financial year, the Group drew AUD34 million and repaid AUD527 million of Term Loan and Commodity Murabahah Finance for property development projects in Australia. In the domestic segment, the Group repaid RM1 billion and drew RM300 million of Islamic Medium Term Notes, RM638 million of Revolving Credit and RM264 million of term loans and structured commodity.



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17. Derivative asset

UEM Sunrise (Australia) Sdn Bhd, a wholly-owned subsidiary of the Company entered into two contracts, namely Islamic currency swap-i and profit rate swap-i to hedge its foreign currency risk and profit rate arising from the principal repayment and profit margin on Commodity Murabahah Finance ("CMF") amounting to AUD55 million and AUD150 million respectively. Both contracts are designated as cash flow hedges and hedge accounting policy is applied.

During the current financial year, the Group fully settled its profit rate swap-i contract and currency swap-i contract.

18. Fair value hierarchy

There were no transfers between any level of the fair value hierarchy during the current year and the comparative year. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

19. Material litigation

Since the preceding financial year ended 31 December 2018, there is no change in material litigation as at the date of this announcement except as disclosed below:

- a) Decision by the Federal Court in respect of BND's additional assessment raised by IRB for additional tax and penalty, as disclosed in Note 12(a).
- b) On 25 July 2017, UEM Land was served with the Claim filed by the Plaintiffs in relation to shares held in Setia Haruman Sdn Bhd ("Setia Haruman" or "the 1st Defendant"). UEM Land is cited as the 9th Defendant in the Claim.

The Claim seeks, amongst others, for:

- (i) a declaration that the 2nd to 9th Defendants respectively had managed and conducted the affairs of the 1st Defendant and/or exercised their powers oppressively and/or disregarded and/or acted in a manner unfairly prejudicial to the interest of the Plaintiffs as members of Setia Haruman pursuant to Section 346 of the Companies Act 2016; and
- (ii) an order that the 2nd to 9th Defendants do jointly and/or severally purchase the 750,000 ordinary shares of Setia Haruman owned or held by Impressive Circuit Sdn Bhd ("Impressive Circuit") defined at such price and on such terms as shall be determined by the Honourable Court.

On 25 April 2018, UEM Land had successfully applied to strike out Datuk Kasi A/L K.L. Palaniappan ("Datuk Kasi"), the First Plaintiff in the suit, as a party in the Claim. The remaining Plaintiff in the suit, Impressive Circuit, successfully added two other Defendants in the suit namely Menara Embun Sdn Bhd and Modern Eden Sdn Bhd.



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19. Material litigation (cont'd)

b) (cont'd)

On 23 May 2018, Datuk Kasi and the 2nd to 6th Defendants have respectively filed their appeal to the Court of Appeal against the High Court's ("HC") decision on 25 April 2018. Datuk Kasi is appealing against the HC's decision in allowing the 7th to 9th Defendants Striking Out and Misjoinder application, striking Datuk Kasi out as a party ("Datuk Kasi's Appeals"). The 2nd to 6th Defendants appealed against the dismissal of their application to strike themselves out as parties to the action by the HC ("2nd to 6th Defendants' Appeals"). On 18 September 2019, Datuk Kasi's Appeals were withdrawn, whereas the 2nd to 6th Defendants' Appeals were dismissed by the Court of Appeal.

On 28 May 2019, the Plaintiff has filed a motion in the Court of Appeal, seeking for an extension of time to serve a notice of appeal against the 7th to 12th Defendants. The motion is now fixed for hearing on 12 October 2020. Further, on 3 December 2019, the Court allowed the Plaintiff's application to cross-examine deponents of various affidavits filed by the Defendants. The matter is now fixed for hearing (cross-examination of deponents) from 8 September 2020 to 10 September 2020.

UEM Land denies allegations made by the Plaintiffs and is vigorously defending the Claim. Based on the foregoing, at this juncture, the Claim has no material financial and operational impact to the Group and the Company. The Company's solicitor is of the view that UEM Land has a reasonably good chance of success in defending the Plaintiffs' case against UEM Land.

- (c) On 18 April 2019, UEM Land Berhad ("UEML") was served with a Notice of Arbitration ("NOA") dated 17 April 2019 filed by Ireka Engineering & Construction Sdn Bhd ("IECSB") in relation to disputes arising from the Agreement and Conditions of PAM Contract 2006 (With Quantities) ("Agreement") together with a Letter of Award dated 15 June 2012 ("LOA") for the construction of Imperia in Puteri Harbour, Iskandar Puteri, Johor ("Project") seeking a declaration sum of RM29,250,266.79 as the total amount of the final account. The LOA is to be read together with the Agreement (collectively referred to as the "Contract").

IECSB was appointed by UEML as the main contractor for the construction of the Project under the Contract at a sum of RM268.6 million. Its scope covers the:

- a. Overall main works;
- b. 'Stesen Suis Utama' and 'Pencawang Pembahagian Utama'; and
- c. Construction of mock-up units.

IECSB has raised certain claims with respect to the performance of the obligations in the Contract and seeks inter alia, a declaration that RM29,250,266.79 be the total and final amount of the final account or any other amount assessed by the Arbitral Tribunal.

UEML's position is that IECSB's claims are without merits and UEML will vigorously defend its position accordingly.

The Asian International Arbitration Centre has appointed Mr. Wayne Martin as the arbitrator on behalf of both parties. It has been agreed by both parties that IECSB to file its Statement of Claim within 45 days from 21 October 2019, and UEML to file its Statement of Defence and Counterclaim within 45 days from the receipt of the Statement of Claim. Subsequently, IECSB to file its Statement of Reply and Defence to Counterclaim within 30 days from the receipt of the Defence and Counterclaim, and UEML to file its Statement of Reply to Defence to Counterclaim within 30 days from the receipt of the Statement of Reply and Defence to Counterclaim.

The Group believes that the NOA and potential arbitration proceedings are not expected to have material financial and operational impact on the Group for the financial year ended 31 December 2019.



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20. Comparison between the current quarter and the immediate preceding quarter

	Current quarter	Immediate	Variance RM'000/(%)	
	31/12/2019	preceding quarter 30/09/2019		
	RM'000	RM'000		
Revenue	1,162,029	327,608	834,421	(>100%)
Operating profit	204,103	72,723	131,380	(>100%)
Share of net results of JV and associates	24,098	4,261	19,837	(>100%)
Profit before interest and tax	228,201	76,984	151,217	(>100%)
Finance costs	(22,167)	(27,534)	5,367	(19%)
Profit before income tax and zakat	206,034	49,450	156,584	(>100%)
Income tax and zakat	(80,949)	(22,410)	(58,539)	(>-100%)
Profit for the period	125,085	27,040	98,045	(>100%)
Non-controlling interests	1,160	58	1,102	(>100%)
Profit attributable to Owners of the Parent	126,245	27,098	99,147	(>100%)

The Group recorded higher revenue in the current quarter largely due to the divestment of the St Kilda Road site and higher settlement of its international projects, Aurora Melbourne Central and Conservatory, contributing revenue of RM305 million and RM526 million respectively to the Group in the current quarter, as compared to RM131 million in the immediate preceding quarter. Profit after tax increased in line with higher revenue, coupled with favourable results from associates and joint ventures.

21. Detailed analysis of the performance for the current quarter and year

	Preceding year		Variance RM'000/(%)		Year Ended		Variance RM'000/(%)	
	Current year corresponding quarter 31/12/2019	quarter 31/12/2018			31/12/2019	31/12/2018		
	RM'000	RM'000	RM'000/(%)	RM'000	RM'000	RM'000/(%)	RM'000/(%)	
Revenue	1,162,029	752,789	409,240 (54%)	2,909,461	2,043,986	865,475 (42%)		
Operating profit	204,103	73,869	130,234 (>100%)	471,005	475,955	(4,950) (-1%)		
Share of net results of JV and associates	24,098	25,444	(1,346) (-5%)	20,324	41,060	(20,736) (-51%)		
Profit before interest and tax	228,201	99,313	128,888 (>100%)	491,329	517,015	(25,686) (-5%)		
Finance costs	(22,167)	(29,414)	7,247 (25%)	(106,801)	(100,966)	(5,835) (-6%)		
Profit before income tax and zakat	206,034	69,899	136,135 (>100%)	384,528	416,049	(31,521) (-8%)		
Income tax and zakat	(80,949)	(50,184)	(30,765) (-61%)	(161,858)	(135,566)	(26,292) (-19%)		
Profit for the period	125,085	19,715	105,370 (>100%)	222,670	280,483	(57,813) (-21%)		
Non-controlling interests	1,160	31	1,129 (>100%)	1,131	(485)	1,616 (>100%)		
Profit attributable to Owners of the Parent	126,245	19,746	106,499 (>100%)	223,801	279,998	(56,197) (-20%)		



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21. Detailed analysis of the performance for the current quarter and year (cont'd)

The Group recorded higher revenue in the current quarter as compared to preceding year's corresponding quarter largely due to the divestment in St Kilda Road site and higher settlement of Aurora Melbourne Central. The higher contribution from international segment was supported with higher construction progress of domestic projects such as Solaris Parq, Residensi Astrea and Eugenia-Serene Heights in Central, and Aspira ParkHomes and 68^o Avenue in Southern. The higher profit was recorded in the current quarter in line with higher revenue, largely due to the gain from the divestment of the St Kilda Road site.

For the current financial year, the settlement of Aurora Melbourne Central and the divestment of St Kilda Road site from the Group's international segment contributed to the higher revenue. In prior year's corresponding year, revenue includes domestic land sales of RM505 million which carry significantly high margins.

Despite recording higher revenue by 42% in the current year, the net profit is lower than prior financial year due to higher gross margins recognised for the land disposals in FY2018, higher effective tax rate by 9%, lower contribution from associates and joint ventures and further impairment of investment in a joint venture company of the Group, Malaysian Bio-XCell Sdn. Bhd. (Note I (C)(a)).

22. Earnings per share

	Current year quarter 31/12/2019 RM'000	Preceding year corresponding quarter 31/12/2018 RM'000 (restated)	Year Ended to 31/12/2019 RM'000	Year Ended to 31/12/2018 RM'000 (restated)
a) Basic earnings per share				
Profit for the period/year attributable to Owners of the Parent	126,245	19,746	223,801	279,998
Less: Dividend paid for RCPS	-	-	-	(7,925)
Profit for the period/year attributable to Owners of the Parent (net of dividend paid for RCPS)	<u>126,245</u>	<u>19,746</u>	<u>223,801</u>	<u>272,073</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,537,436</u>	<u>4,537,436</u>	<u>4,537,436</u>	<u>4,537,436</u>
Basic earnings per share	<u>2.78 sen</u>	<u>0.44 sen</u>	<u>4.93 sen</u>	<u>6.00 sen</u>
b) Diluted earnings per share				
Profit for the period/year attributable to Owners of the Parent (net of dividend paid for RCPS)	<u>126,245</u>	<u>19,746</u>	<u>223,801</u>	<u>272,073</u>
Weighted average number of ordinary shares in issue ('000)	<u>4,537,436</u>	<u>4,537,436</u>	<u>4,537,436</u>	<u>4,537,436</u>
Effects of dilution from RCPS ('000)	<u>617,077</u>	<u>617,077</u>	<u>617,077</u>	<u>617,077</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>5,154,513</u>	<u>5,154,513</u>	<u>5,154,513</u>	<u>5,154,513</u>
Diluted earnings per share	<u>2.45 sen</u>	<u>0.38 sen</u>	<u>4.34 sen</u>	<u>5.28 sen</u>



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23. Prospects for the next financial year

The Malaysian economy expanded by 3.6% in 4Q 2019 (3Q 2019: 4.4%) supported by higher private sector spending amidst supply disruptions in the commodities sector. For 2019 as a whole, the economy registered growth of 4.3% (2018: 4.7%)¹. The cut in interest rate to 2.75% is a pre-emptive measure to sustain growth into 2020 in the face of headwinds including uncertainties in international trade, geopolitical risks and the impact of the Covid-19 outbreak. The outlook for the property sector remains challenging given affordability issues, slower economic growth and the overhang of unsold properties.

In 2019, the Group launched RM1.2 billion worth of projects, all landed mid-market except for high-rise Residensi AVA in Kiara Bay, Kuala Lumpur. Contributing the largest portion of the total GDV, the RM656.0 million Kiara Bay development was launched towards the end of November.

The Group's total sales for 2019 is RM1.13 billion, including the sale of five developed industrial plots in SILC. Residential property sales were mainly from Aspira ParkHomes, Residensi Solaris Parq, Residensi Astrea, Symphony Hills and Serene Heights Bangi. Our inventory monetisation programme was also successful as 35% of the total sales was from completed properties, thereby reducing inventories by 21% compared to 2018.

For Kiara Bay, we plan to transform the area into an urban integrated liveable ecosystem development. We have recently entered into strategic partnerships with AEON BiG (M) Sdn. Bhd., Starbucks Malaysia and four prominent 5G providers in collaboration with WeChat as the technology platform provider. Plans for the first interchange into Kiara Bay from MRR2 have also been submitted pending approvals from the relevant authorities.

In Australia, the Group successfully secured a settlement rate of 97% for Aurora Melbourne Central's SP3, SP4 and SP5, a total value of AUD594.6 million. The retail component will be retained as assets. The serviced apartment component was disposed en-bloc to Scape Australia Management Pty Ltd at AUD125.0 million. Completion of the transaction is expected in 2Q 2020. As for Conservatory, a settlement rate of 89% has been secured. We expect full settlement of both projects in financial year 2020.

Divestment of non-strategic lands and assets as well as land portfolio rebalancing remain one of our key strategies. In 2019, a total of RM390.0 million (not including SILC) was divested including the Mayfair site in Melbourne for AUD107.1 million. For 2020, we have earmarked several assets for divestment purposes estimated between RM400 million to RM500 million including parcels in Kajang and Seputeh as well as pocket lands in Southern; channelling the proceeds towards embarking into new ventures and opportunities, local and overseas.

We are fully cognisant of the prevailing market conditions, particularly business and household sentiment. However, there are specific opportunities for new launches which will ensure business sustainability going forward. In this regard, we are targeting to launch a total GDV of RM2.0 billion in 2020 focusing on mid-market landed residences mainly the Aspira themed products and a new development, Senadi Hills, both in Iskandar Puteri in addition to more landed residences in new phases at Serene Heights Bangi in Selangor. Sales for these products have always been encouraging. We will also be launching new high-rise residential developments; Allevia in Mont'Kiara, Kuala Lumpur, Residensi Equine 9 in Seri Kembangan, Selangor and an integrated commercial development at Solaris Parq in Kuala Lumpur with plans to showcase our first office tower block.



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23. Prospects for the next financial year (cont'd)

Sales target for 2020 is RM2.0 billion, including the sale of SILC's developed industrial plots. Our unbilled sales as at end 2019 is RM1.8 billion. In view of the balance contribution from the Australian projects coupled with the divestment of non-strategic lands and assets, new project launches and sales target to be achieved, the Group is on track to weather the challenging property market environment in the year ahead.

Source:

¹ BNM Quarterly Bulletin, 4Q 2019.

* SILC stands for Southern Industrial Logistics Cluster located in Iskandar Puteri.

* GDV stands for Gross Development Value.

* Take up rate inclusive of bookings.

* Australian projects' settlement rates are as at 28 January 2020.

* SP stands for Separable Portion.

24. Profit forecast

The Group did not issue any profit forecast or profit guarantee in respect of current year.

Kuala Lumpur
24 February 2020

By Order of the Board

LIEW IRENE (MAICSA 7022609)
WONG LEE LOO (MAICSA 7001219)
Joint Company Secretaries