



UEM SUNRISE BERHAD
(830144-W)
Incorporated In Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

THE FIGURES HAVE NOT BEEN AUDITED

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year	Preceding year	Year Ended	Year Ended
	quarter	corresponding	31/12/2016	31/12/2015
Note	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
1. (a) Revenue	624,662	607,047	1,841,479	1,749,866
(b) Cost of sales	(468,243)	(469,105)	(1,330,998)	(1,224,705)
(c) Gross profit	156,419	137,942	510,481	525,161
(d) Other income	31,999	37,215	68,118	117,604
(e) Expenses	(131,025)	(86,288)	(360,739)	(349,688)
(f) Finance costs	(13,826)	(19,985)	(75,992)	(73,868)
(g) Share of net results of associates	11,964	11,021	14,576	11,811
(h) Share of net results of joint ventures	27,247	44,692	61,204	112,019
(i) Profit before income tax	82,778	124,597	217,648	343,039
(j) Income tax and zakat	(29,557)	(52,371)	(69,309)	(86,049)
(k) Profit for the period/year	53,221	72,226	148,339	256,990
Attributable to:				
(l) Owners of the Parent	53,289	72,421	147,302	257,212
(m) Non-controlling Interests	(68)	(195)	1,037	(222)
Profit for the period/year	53,221	72,226	148,339	256,990
2. Earnings per share based on 1 (l) above	24			
(a) Basic earnings per share	1.17 sen	1.60 sen	2.97 sen	5.67 sen
(b) Diluted earnings per share	1.03 sen	1.46 sen	2.61 sen	5.54 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015 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 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Year Ended 31/12/2016 RM'000	Year Ended 31/12/2015 RM'000
Profit for the period/year	53,221	72,226	148,339	256,990
Other comprehensive income/ (expense) to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation differences for foreign operations	41,019	(15,558)	42,381	45,549
Fair value changes	-	-	1	(1)
Share of other comprehensive income of associate	-	760	-	760
Cash flow hedge	5,763	-	(223)	-
Total other comprehensive income/ (expense) for the period/year, net of tax	46,782	(14,798)	42,159	46,308
Total comprehensive income for the period/year	100,003	57,428	190,498	303,298
Attributable to:				
Owners of the Parent	100,097	57,606	189,508	303,506
Non-controlling Interests	(94)	(178)	990	(208)
Total comprehensive income for the period/year	100,003	57,428	190,498	303,298

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015 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 quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Year Ended 31/12/2016 RM'000	Year Ended 31/12/2015 RM'000
Profit before income tax is arrived at after charging/(crediting):				
Interest expense	13,826	19,985	75,992	73,868
Provision for liquidated ascertained damages	13,462	5,671	42,230	12,317
Depreciation	4,624	11,839	24,029	29,608
Allowance for doubtful debts	3,776	1,335	9,376	1,335
Property, plant and equipment written off	635	177	691	267
Interest income	(6,793)	(12,098)	(29,057)	(43,048)
(Gain)/loss on foreign exchange				
- unrealised	(10,934)	2,526	(13,470)	2,609
- realised	10,447	-	10,966	-
Liquidated ascertained damages received and receivable from contractors	(7,496)	(17,815)	(9,651)	(30,815)
Dividend distribution received and receivable from a subsidiary under liquidation	-	-	(783)	(20,000)
Dividend income from investment in unit trust	-	-	(610)	(574)
Write back of allowance for impairment of receivables	(491)	(978)	(1,062)	(978)
Net gain on remeasurement of investment at fair value through profit or loss	-	-	(415)	(429)
Write down of inventories	-	165	-	165
Write back of inventories	(45)	(35)	(155)	(159)
Gain on disposal of property, plant and equipment	(510)	(66)	(512)	(191)
Gain arising from liquidation of an associate	-	-	-	(18)
Impairment loss on long term receivables	11,690	-	11,690	-

Other than the above, there was no write-off of receivables and inventories, gain or loss on disposal of quoted and unquoted investments, impairment/(write back of impairment) of assets, gain or loss on derivatives, exceptional items and reversal of provisions for the costs of restructuring.



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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at current financial year end 31/12/2016 RM'000	Audited As at preceding financial year end 31/12/2015 RM'000
ASSETS			
1. Non-current assets			
Property, plant and equipment		299,511	234,067
Investment properties		648,050	640,975
Land held for property development		4,019,581	3,269,275
Interests in associates		492,391	487,835
Interests in joint ventures		1,121,661	1,143,774
Amount due from a joint venture		77,553	72,697
Long term receivables		43,702	54,849
Goodwill		621,409	621,409
Deferred tax assets		254,971	221,044
		7,578,829	6,745,925
2. Current assets			
Property development costs		2,634,968	2,281,634
Inventories		585,244	403,099
Receivables		1,731,262	1,219,500
Amount due from joint ventures		220,215	239,635
Short term investments		8	7
Cash, bank balances and deposits		788,542	1,005,600
		5,960,239	5,149,475
3. Asset held for sale	8	11,230	-
Total assets		13,550,298	11,895,400



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

	Note	Unaudited As at current financial year end 31/12/2016 RM'000	Audited As at preceding financial year end 31/12/2015 RM'000
EQUITY AND LIABILITIES			
4. Equity attributable to Owners of the Parent			
Share capital		2,276,643	2,276,643
Reserves			
Share premium		2,829,546	2,829,546
Merger relief reserves		34,330	34,330
Cash flow hedge reserves		(223)	-
Other reserves		152,243	115,439
Retained profits		1,539,257	1,552,602
		6,831,796	6,808,560
5. Non-controlling Interests		361,556	360,345
Total equity		7,193,352	7,168,905
6. Non-current liabilities			
Borrowings		2,404,224	2,227,594
Payables		95,923	66,143
Deferred income		111,547	111,874
Provision		930,222	411,436
Derivative liability	17	223	-
Deferred tax liabilities		203,668	204,058
		3,745,807	3,021,105
7. Current liabilities			
Provisions		447,173	456,506
Payables		803,718	706,062
Borrowings		1,310,449	522,976
Tax payable		49,799	19,846
		2,611,139	1,705,390
Total liabilities		6,356,946	4,726,495
Total equity and liabilities		13,550,298	11,895,400
8. Net assets per share attributable to Owners of the Parent		RM 1.51	RM1.50

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015 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 31/12/2016 RM'000	Audited Year Ended 31/12/2015 RM'000
Operating Activities			
Cash receipts from customers		1,516,094	2,317,516
Cash receipts from related parties		7,012	782,156
Cash payments to contractors and suppliers		(1,708,319)	(1,463,706)
Cash payments for land and development related costs		(13,678)	(18,385)
Cash payments for guaranteed land cost deposit	15 (g)	(15,000)	-
Cash payments to related parties		(41,867)	(2,968)
Cash payments to employees and for expenses		(343,863)	(406,914)
Cash used in operations		(599,621)	1,207,699
Net income taxes and zakat paid		(124,636)	(288,468)
Interest received		13,920	19,358
Net cash (used in)/generated from operating activities		(710,337)	938,589
Investing Activities			
Dividend received from a joint venture		165,000	6,500
Dividend received from an associate		2,100	3,900
Proceeds from disposal of			
- property, plant and equipment		3	193
- short term investments		286,025	353,630
Capital distribution from an associate under liquidation		-	18
Repayment from joint ventures		41	36,895
Refund/(deposit paid) for subscription of shares		21,488	(21,488)
Purchase of property, plant and equipment		(25,205)	(38,361)
Acquisition of subsidiary, net of cash and cash equivalent acquired		-	(28)
Advance to a joint venture		(42,760)	(14,074)
Acquisition of non-controlling interests in a subsidiary	11 (b)	(80,479)	-
Investment in an associate		-	(331,820)
Investment in joint ventures		(4,250)	(78,000)
Investment in land held for property development		(248,436)	(896,861)
Investment in short term investments		(285,000)	(150,000)
Net cash used in investing activities		(211,473)	(1,129,496)



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

	Note	Unaudited Year Ended 31/12/2016 RM'000	Audited Year Ended 31/12/2015 RM'000
Financing Activities			
Drawdown of borrowings		770,351	347,837
Drawdown of Islamic Medium Term Notes and Islamic Commercial Papers		607,888	300,000
Subscription of shares by non-controlling shareholder in a subsidiary		-	324,800
Repayment from immediate holding company		-	30
Repayment of borrowings		(231,749)	(274,358)
Repayment of Islamic Medium Term Notes		(200,000)	-
Repayment to immediate holding company		(7,503)	-
Dividend paid		(85,279)	(136,123)
Interest paid		(143,951)	(113,141)
Net cash generated from financing activities		709,757	449,045
Transfer from non-current deposits		-	3
Effects of exchange rate changes		539	2,885
Net (decrease)/increase in cash and cash equivalents		(211,514)	261,026
Cash and cash equivalents as at beginning of financial year		1,000,056	739,030
Cash and cash equivalents as at end of financial year	(a)	<u>788,542</u>	<u>1,000,056</u>
		Unaudited Year Ended 31/12/2016 RM'000	Audited Year Ended 31/12/2015 RM'000

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

Current cash, bank balances and deposits			
Unrestricted		472,378	787,962
Restricted		316,164	217,638
		788,542	1,005,600
Bank overdrafts (included in short term borrowings)		-	(5,544)
Cash and cash equivalents		<u>788,542</u>	<u>1,000,056</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 2015 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					
	Share Capital RM'000	Share Premium RM'000	Merger Relief Reserves RM'000	Cash Flow Hedge Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000			Total RM'000
Twelve months to 31 December 2016 (Unaudited)									
At 1 January 2016	2,276,643	2,829,546	34,330	-	115,439	1,552,602	6,808,560	360,345	7,168,905
Total comprehensive income for the year	-	-	-	(223)	42,429	147,302	189,508	990	190,498
ESOS									
- remeasurement	-	-	-	-	(293)	-	(293)	-	(293)
- expiry of vested employee share options	-	-	-	-	(5,332)	5,332	-	-	-
Acquisition of non-controlling interests in a subsidiary (Note 11 (b))	-	-	-	-	-	(80,700)	(80,700)	221	(80,479)
Dividend paid	-	-	-	-	-	(85,279)	(85,279)	-	(85,279)
At 31 December 2016	<u>2,276,643</u>	<u>2,829,546</u>	<u>34,330</u>	<u>(223)</u>	<u>152,243</u>	<u>1,539,257</u>	<u>6,831,796</u>	<u>361,556</u>	<u>7,193,352</u>



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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY (CONT'D)

	← Attributable to Owners of the Parent →						→ Non-controlling Interests	Total Equity	
	←		Non-distributable		→ Distributable				
	Share Capital RM'000	Share Premium RM'000	Merger Relief Reserves RM'000	Cash Flow Hedge Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000			Total RM'000
Twelve months to 31 December 2015 (Audited)									
At 1 January 2015	2,268,718	2,044,955	34,330	-	88,130	1,896,699	6,332,832	485,753	6,818,585
Total comprehensive income for the year	-	-	-	-	46,294	257,212	303,506	(208)	303,298
Issuance of RCPS	7,925	784,591	-	-	-	-	792,516	-	792,516
Subscription of shares by non-controlling shareholder in a subsidiary	-	-	-	-	-	-	-	324,800	324,800
ESOS									
- remeasurement	-	-	-	-	(11,655)	-	(11,655)	-	(11,655)
- expiry of vested employee share options	-	-	-	-	(7,330)	7,330	-	-	-
Redemption of RCPS #	-	-	-	-	-	(472,516)	(472,516)	(450,000)	(922,516)
Dividend paid	-	-	-	-	-	(136,123)	(136,123)	-	(136,123)
At 31 December 2015	<u>2,276,643</u>	<u>2,829,546</u>	<u>34,330</u>	<u>-</u>	<u>115,439</u>	<u>1,552,602</u>	<u>6,808,560</u>	<u>360,345</u>	<u>7,168,905</u>

On 30 October 2015, the RCPS of a subsidiary, which was held by the immediate holding company, UEM Group Berhad, and recorded as non-controlling interests, had been fully redeemed at a total redemption price of RM922.5 million. The total redemption price includes RM472.5 million cumulative dividend payment, compounded at 7.5% p.a. in accordance with the redemption terms.

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 2015 and the accompanying explanatory notes attached to this quarterly announcement.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The notes to the condensed consolidated interim financial statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

1. Accounting policies and methods of computation

The quarterly consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and are in accordance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), except for the adoption of the accounting policy on derivative financial instrument and hedge accounting as summarized in Note 17 and the following amendments to Financial Reporting Standards (“FRSs”) which are mandatory for annual financial periods beginning on or after 1 January 2016, as disclosed below:

	Effective for the financial period beginning on or after
Amendments to FRSs 'Annual Improvements to FRSs 2012-2014 Cycle'	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 : Investment Entities : Applying the Consolidation Exception	1 January 2016
Amendments to FRS 11 : Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 101 : Disclosure Initiative	1 January 2016
Amendments to FRS 116 and FRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 127 : Equity Method in Separate Financial Statements	1 January 2016

The adoption of the above amendment to FRSs does not have any significant impact to the Group.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework has been applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for the Construction of Real Estate, including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

Transitioning Entities are allowed to defer adoption of the new MFRS Framework. The adoption will be mandatory for Transitioning Entities for annual periods beginning on or after 1 January 2018.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

1. Accounting policies and methods of computation (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

The Group falls within the scope of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018.

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits. The financial statements could be different if prepared under the MFRS Framework.

2. Audit report in respect of the 2015 financial statements

The audit report on the Group's financial statements for the financial year ended 31 December 2015 was not qualified.

3. Seasonal or cyclical factors

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

4. 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.

5. 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.

6. 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 2016 except as follows:-

- (a) Sunrise Berhad, a wholly-owned subsidiary of the Company, repaid fifth and sixth tranche of RM100.0 million each of Islamic Medium Term Notes, which were issued in 2013 and 2014 respectively.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

6. Debt and equity securities (cont'd)

- (b) During the financial year, the Company established Islamic Medium Term Notes ("IMTNs") under the Islamic Medium Term Notes Programme ("IMTN Programme") and Islamic Commercial Papers ("ICPs") under the Islamic Commercial Paper Programme ("ICP Programme") with a combined aggregate limit of up to RM2.0 billion in nominal value and a sub-limit of RM500.0 million in nominal value for the ICP Programme.

For the current financial year ended 31 December 2016, the Company has completed the issuance of IMTNs and ICPs from its IMTN and ICP Programme respectively as follows:

No	Issuance date	Amount (RM'Million)	Tenure (Months)	Rate (per annum)
1	20 May 2016	500 (IMTNs)	84	5.00% - Profit
2	20 May 2016	10 (ICPs)	6	4.15% - Discount
3	9 August 2016	100 (ICPs)	6	3.80% - Discount

The proceeds from the IMTNs and ICPs will be utilized for the Group's Shariah-compliant general corporate purposes.

7. Dividend

The first and final single tier dividend of 1.6 sen per ordinary share of RM0.50 each amounting to RM72,598,977 in respect of the financial year ended 31 December 2015 was approved by the shareholders during the Annual General Meeting on 23 May 2016 and paid on 21 June 2016.

On 21 June 2016, the Company also paid a single tier dividend of 1.6 sen on 792,515,753 redeemable convertible preferences shares ("RCPS") of RM0.01 each amounting to RM12,680,252 in respect of the financial year ended 31 December 2015.

The Directors are not proposing any final dividend for the current financial year ended 31 December 2016 (2015: 1.6 sen).

8. Asset held for sale

The Group's investment in BIB Insurance Brokers Sdn Bhd has been reclassified as asset held for sale following an approval to dispose its entire 30% equity interest, comprising 450,000 ordinary shares of RM1.00 each, by the Board on 17 June 2016.

	As at 31/12/2016 RM'000
Investment in associate:	
Unquoted shares at cost - in Malaysia	1,033
Share of post-acquisition reserves	10,197
	<u>11,230</u>



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

8. Asset held for sale (cont'd)

	As at 31/12/2016 RM'000
Reserves relating to asset held for sale recognised directly in equity:	
- Foreign exchange translation reserves	1,182
- Available-for-sale reserves	(241)
	941

The disposal was completed on 14 February 2017.

9. Operating Segments

Operating Segment information for the current financial year ended 31 December 2016 is as follows:

	Property development		Property	Others	Eliminations	Consolidated
	In Malaysia	Outside Malaysia	Investment			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External revenue	1,389,694	338,985	59,541	53,259	-	1,841,479
Inter-segment revenue	-	-	1,085	12,643	(13,728)	-
Total revenue	1,389,694	338,985	60,626	65,902	(13,728)	1,841,479
Results						
Segment results	133,496	65,357	9,137	29,067	(19,197)	217,860
Finance costs	(55,248)	(7,261)	(13,667)	(19,013)	19,197	(75,992)
Share of results of associates	15,190	-	-	(614)	-	14,576
Share of results of joint ventures	77,916	-	(1,882)	(14,830)	-	61,204
Profit/(loss) before income tax	171,354	58,096	(6,412)	(5,390)	-	217,648
Income tax and zakat	(43,575)	(24,857)	(120)	(757)	-	(69,309)
Profit/(loss) for the year	127,779	33,239	(6,532)	(6,147)	-	148,339
Attributable to:						
Owners of the parent	127,779	33,239	(6,532)	(7,184)	-	147,302
Non-controlling interests	-	-	-	1,037	-	1,037
Profit/(loss) for the year	127,779	33,239	(6,532)	(6,147)	-	148,339

10. 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 2016 to the date of this announcement which would substantially affect the financial results of the Group for the financial year ended 31 December 2016 that have not been reflected in the condensed financial statements.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

11. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the current year including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operation since the preceding year ended 31 December 2015 except for the following:

- (a) On 16 February 2016, UEM Land Berhad ("UEM Land"), a wholly-owned subsidiary of the Company, entered into a Joint Venture cum Shareholders' Agreement ("JVSA") with Leisure Farm Corporation Sdn Bhd, a wholly-owned subsidiary of Mulpha International Berhad ("MIB") and JV Axis Sdn Bhd ("JVASB"), a wholly-owned subsidiary of MIB, to jointly develop thirty-eight (38) parcels of freehold lands in Gerbang Nusajaya and near Leisure Farm Resort.

On 26 May 2016, the Company announced that the parties to the JVSA subscribed to the new ordinary share in JVASB. UEM Land, as a party to the JVSA, subscribed for 250,000 ordinary shares of RM1.00 each for a cash consideration of RM250,000 resulting in JVASB becoming a 50% owned joint venture company of the Group.

On 15 June 2016, JVASB changed its name to Gerbang Leisure Park Sdn Bhd.

- (b) On 13 June 2016, Sunrise Berhad ("SB"), a wholly-owned subsidiary of the Company, entered into a Share Sale Agreement ("SSA") with Melavest Sdn Bhd for the acquisition of 76,000 ordinary shares of RM1.00 each in Ibarat Duta Sdn Bhd ("IDSB"), representing the remaining 38% of the total issued and paid-up share capital of IDSB for a cash consideration of RM80,478,808.

The acquisition was completed on 10 August 2016 and IDSB became a wholly-owned subsidiary of SB.

The financial impact arising from this acquisition is as follows:

	RM'000
Cash consideration paid to non-controlling shareholder	80,479
Carrying value of 38% equity interest in IDSB	221
Accretion loss recognised in retained profits	80,700

- (c) On 16 December 2016, UEM Land Berhad, a wholly-owned subsidiary of the Company, acquired two (2) ordinary shares of RM1.00 each in Sarandra Malaysia Sdn Bhd ("SMSB") for a cash consideration of RM2.00 only, resulting in SMSB becoming an indirect wholly-owned subsidiary of the Company.

SMSB was incorporated in Malaysia on 26 October 2016 with an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. The intended principal activity of SMSB is to develop and operate marina, marina club, hotel and recreation centre.

V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

12. Contingent liabilities

There are no changes in the contingent liabilities since the preceding financial year ended 31 December 2015 except as disclosed below:

Income tax assessment

On 3 October 2011, Bandar Nusajaya Development Sdn. Bhd. ("BND"), a major subsidiary of the Company which was held through its wholly-owned subsidiary, UEM Land Berhad, received a notice of additional assessment from the Inland Revenue Board ("IRB") for additional tax and penalty of RM50.9 million and RM22.9 million respectively in respect of the year of assessment 2006.

On 4 September 2012, the Kuala Lumpur High Court ("KLHC") had granted leave to BND for its judicial review application and ruled in favour of BND on the merit of the case. The KLHC declared that IRB had no legal basis to raise the additional assessment and allowed BND's appeal to quash and set aside the above notice of additional assessment. 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 are no merits in the appeal by IRB and thus affirmed the decision of KLHC on both matters which ruled in favour of BND. IRB had on 18 June 2014 filed an application for leave to the Federal Court ("FC") to appeal against the decision of CoA. The FC on 26 January 2015 allowed the leave and 18 October 2016 was set for hearing of the case.

On 18 October 2016, the FC reversed the decisions of the CoA and the KLHC and ordered that BND should have appealed by way of filing a notice of appeal to the Special Commissioners of Income Tax. No reasons were provided by the FC in arriving at this conclusion. The FC's decision has resulted in the Form JA issued by the IRB dated 22 September 2011 totalling RM73.8 million to become due and payable within 30 days of which has been paid in full.

On 25 October 2016 and 26 October 2016, BND has filed in a notice of appeal (Form Q) and the notice was rejected by IRB on 25 October 2016 and 26 October 2016 respectively. On 10 November 2016, BND filed a notice for extension of time to make an appeal to the Special Commissioners of Income Tax (Form N) for which was rejected by the IRB on 8 February 2017 as well a judicial review application against the rejection of the Form Q on 17 January 2017. The judicial review application case management was heard on 7 February 2017 and 24 April 2017 has been set as the hearing date. The Company's solicitors are of the view that BND has a good case to commence judicial review proceedings via KLHC to contend that the IRB's rejection of the Form Q and Form N is without any legal basis. In respect of the merit of the case, the Company's solicitors are of the view that BND has a strong case to argue that IRB has no legal or factual basis to issue the notice of additional assessment nor is there legal or factual basis for IRB to impose the penalty.

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	4.7
Approved but not contracted for	469.3
Total	474.0



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

14. Income tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Year Ended 31/12/2016 RM'000	Year Ended 31/12/2015 RM'000
Malaysian and foreign income tax				
- Current tax	(42,644)	(39,954)	(99,935)	(88,790)
- (Under)/over provision in prior years	(1,488)	(7,731)	1,884	(3,773)
Deferred tax				
- Relating to origination and reversal of temporary differences	19,172	18,024	37,250	32,393
- (Under)/over provision in prior years	122	(14,048)	(3,789)	(17,217)
Tax expense for the period/year	<u>(24,838)</u>	<u>(43,709)</u>	<u>(64,590)</u>	<u>(77,387)</u>
Zakat	(4,719)	(8,662)	(4,719)	(8,662)
	<u>(29,557)</u>	<u>(52,371)</u>	<u>(69,309)</u>	<u>(86,049)</u>

The effective tax rate (excluding share of results of associates and joint ventures) is higher than the statutory tax rate mainly due to higher Australian tax rates, unrecognised deferred tax asset in respect of unused tax losses and non allowable expenses for tax purposes.

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, Bandar Nusajaya Development Sdn Bhd (“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 Darul Ta’zim. The development of the residential enclave is currently on-going.
- b) A Facilities Maintenance and Management Agreement dated 13 April 2011 between Cahaya Jauhar Sdn Bhd, a 60% owned joint venture of UEM Land and State Secretary Johor (Incorporated) for the provision of management and maintenance services for Phase 1 of Kota Iskandar (“FMMA”). The FMMA covers a period of 30 years with a review of every 3 years.
- c) 3 Shareholders’ and Shares Subscription Agreements dated 11 June 2012 were entered 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 3 separate Development Companies (“Dev Cos”) and to regulate the relationship amongst the Company and the DDC Cos for the development of land parcels acquired by the Dev Cos with an aggregate gross area of approximately 678.70 acres (“Desaru Land”).

The issued and paid-up capital of the Dev Cos will be held by the Company and the respective DDC Cos in the proportion of 51% and 49%, respectively.

Concurrent with the execution of the SSAs, the respective Dev Cos entered into 3 separate Sale and Purchase Agreements (collectively referred to as the “SPAs”) with the respective DDC Cos for the proposed acquisitions of the Desaru Land for a total consideration of RM485.3 million.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

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

c) (cont'd)

On 18 June 2012, 10% of the purchase consideration for each of the Desaru Land was paid by the Dev Cos to the relevant DDC Cos. The balance 90% is to be paid on a staggered basis up until 11 December 2017 as per the payment schedule in the SPAs.

d) A Master Agreement (“MA”) dated 23 October 2012 between UEM Land and Ascendas Land (Malaysia) Sdn Bhd (“Ascendas”) was entered to undertake the development of an integrated tech park over approximately 519 acres of land in Gerbang Nusajaya (“Land”), Nusajaya, Johor Darul Ta’zim (“Proposed Development”) broken down as follows:

(i) Phase 1 Land measuring approximately 205 acres and further broken down into two plots identified as Plot A with an estimated area of 120 acres (“Plot A”) and Plot B with an estimated area of 85 acres (“Plot B”) (collectively “Phase 1 Land”) to be held by Company A;

(ii) Phase 2 Land measuring approximately 166 acres to be held by Company B (“Phase 2 Land”); and

(iii) Phase 3 Land measuring approximately 148 acres to be held by Company C (“Phase 3 Land”).

UEM Land and Ascendas shall enter into Subscription Agreements (“SA”) to regulate their initial share subscription into Company A, Company B and Company C (all of which are special purpose companies that have been or are to be established by UEM Land and are to be collectively referred to as the “Companies”) and Shareholders’ Agreement (“SHA”) to govern the parties’ relationship as shareholders of the Companies. The equity ratio of the parties in the Companies shall be 60% : 40% (Ascendas : UEM Land) unless otherwise agreed.

Pursuant to the MA, UEM Land also agrees to:

(i) Cause the transfer of Plot A to Company A; and

(ii) Grant to Ascendas the options to:

- Agree to Company A 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. The options shall automatically lapse if not exercised within the option period.

The sale of Plot A land was completed in the financial year ended 31 December 2013.

As at 20 February 2017, the purchase of Plot B land, Phase 2 Land and Phase 3 Land are still outstanding.

e) On 16 February 2016, a wholly-owned subsidiary of the Company, UEM Land entered into a Joint Venture cum Shareholders' Agreement with Leisure Farm Corporation Sdn Bhd (“LFC”), a wholly-owned subsidiary of Mulpha International Berhad (“MIB”) and JV Axis Sdn Bhd (“JVASB”) a wholly-owned subsidiary of MIB, the intended joint venture company for the proposed collaboration between UEM Land and LFC (“JVA”).



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

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

e) (cont'd)

Both UEM Land and LFC wish to work together as strategic joint development partners to jointly develop thirty-eight (38) parcels of freehold lands (located in Gerbang Nusajaya and near the Leisure Farm Resort) within Mukim Pulai, District of Johor Bahru, Johor. Part of the land parcels are owned by Nusajaya Seaview Sdn Bhd ("NSSB") and Nusajaya Rise Sdn Bhd ("NRSB"), both are indirect wholly-owned subsidiaries of the Company measuring a total of 136.29 acres or collectively as UEMS Lands whilst the balance of thirty-six (36) land parcels owned by LFC with a total of 65.48 acres ("LFC Lands"). (Both UEMS Lands and LFC Lands are collectively referred as "JV Lands").

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

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

On 15 June 2016, JVASB changed its name to Gerbang Leisure Park Sdn Bhd.

As at 20 February 2017, the conditions precedent of the Master Agreement are still pending fulfillment by the respective landowners.

f) On 22 February 2016, UEM Land entered into a Joint Venture Agreement ("JVA") with SUTL Marina Holdings Pte Ltd to establish a joint venture company with a 40% : 60% (UEM Land : SUTL) equity share to co-operate in incorporating, financing and operating a joint venture company in Malaysia for the purpose of carrying out the following businesses:

(i) developing (1) the portion of the Public Marina which has yet to be developed (2) the Private Marina and (3) the Mega Yacht Marina and operating the Public Marina, the Private Marina and the Mega Yacht Marina;

(ii) developing and operating the Private Yacht Club via the Private Yacht Club Corporation; and

(iii) operating the sports centre in Puteri Harbour.

all in Puteri Harbour, Iskandar Puteri in Malaysia.

The JVA is conditional upon certain conditions precedent and to be fulfilled within 12 months from the date of the JVA or such other extended period as may be mutually agreed by the parties.

As at 20 February 2017, the conditions precedent of the JVA are still outstanding.

g) On 27 May 2016, Sunrise Quality Sdn Bhd ("SQSB"), an indirect wholly-owned subsidiary of the Company, entered into a Joint Land Development Agreement ("JLDA") with Telekom Malaysia Berhad ("TM") for the development of Lot 461 and Lot 493, Section 19, Bandar Kuala Lumpur, District of Kuala Lumpur measuring approximately 1.69 acres ("Said Lands") into a high rise mixed development project ("Project").



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

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

g) (cont'd)

TM is the registered and beneficial owner of the Said Lands. Pursuant to the JLDA, TM agrees to grant SQSB the sole and exclusive rights to develop the Said Lands into a Project. In return, SQSB agrees to pay TM a guaranteed land cost ("GLC") of RM150 million and TM is also entitled to 5% of the agreed gross development value of the Project.

The JLDA is subject to certain conditions precedent. A deposit of RM15.0 million equivalent to 10% of the total GLC was paid by SQSB on 28 May 2016 whilst the remaining 90% of the total GLC will be payable in accordance to the payment schedule set out in the JLDA.

As at 20 February 2017, the conditions precedent of the JLDA are still pending fulfillment by the respective parties of the agreement.

16. Borrowings and debt securities

Details of Group borrowings and debt securities as at 31 December 2016 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic						
- Loan from immediate holding company	-	-	-	75,223	-	75,223
- Islamic Medium Term Notes	-	1,907,790	1,907,790	600,768	-	600,768
- Islamic Commercial Papers	-	-	-	-	99,604	99,604
- Term loan	156,247	-	156,247	61,000	101,039	162,039
- Term loan (denominated in Australian Dollar)	-	340,187	340,187	-	-	-
- Revolving credits	-	-	-	11,000	361,815	372,815
TOTAL	156,247	2,247,977	2,404,224	747,991	562,458	1,310,449

17. Derivative

Details of outstanding derivative as at 31 December 2016 is as follows:

	Contract/ Notional value	Fair value
	RM'000	RM'000
Profit rate swap-i contract		
- 1 year to 3 years	340,187	(223)

UEM Sunrise (Australia) Sdn Bhd, a wholly-owned subsidiary of the Company entered into a profit rate swap-i contract to hedge the profit rate risk arising from the profit margin repayment on AUD150 million Commodity Murabahah Financing-i Facility. The profit rate swap-i is designated as a cash flow hedge and applies the hedge accounting policy, as summarized below:



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

17. Derivative (cont'd)

The profit rate swap-i is initially recognized at fair value on the date on which the contract is entered into and is subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

18. Fair value hierarchy

There were no transfers between any level of the fair value hierarchy took place 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. Breakdown of realised and unrealised profits or losses

	As at current financial year end 31/12/2016	As at preceding financial year end 31/12/2015
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,091,446	1,044,475
- Unrealised	157,542	159,135
	1,248,988	1,203,610
Total share of retained profits from associates:		
- Realised	122,960	108,292
- Unrealised	2,259	2,351
Total share of retained profits from joint ventures:		
- Realised	479,621	422,747
- Unrealised	12,166	7,836
	1,865,994	1,744,836
Less : Consolidation adjustments	(326,737)	(192,234)
Total group retained profits as per consolidated statement of financial position	1,539,257	1,552,602

20. Material litigation

Since the preceding financial year ended 31 December 2015, 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;



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

20. Material litigation (cont'd)

- b) Rakyat Holdings Sdn. Bhd. ("Rakyat Holdings") against Aurora Tower @KLCC Sdn. Bhd. ("Aurora Tower") under Writ of Summons and Statement of Claim in High Court Suit No. 22 NCV-297-04/2013;

On 12 April 2013, Aurora Tower, a wholly-owned subsidiary of Sunrise Berhad which in turn is a wholly-owned subsidiary of the Company was served with the Claim filed by Rakyat Holdings. The Claim alleges breach of an agreement dated 14 January 2008 between Rakyat Holdings and Aurora Tower, for the sale of land held under Geran 4733, Lot 149, Seksyen 0058, Bandar Kuala Lumpur ("Land"). The principal relief sought in the Claim is an order for Aurora Tower to re-deliver ownership, title and vacant possession of the Land to Rakyat Holdings and general damages.

The trial was held on 7 July 2014 to 10 July 2014. The High Court at Kuala Lumpur had on 28 August 2014 dismissed Rakyat Holdings' Claim against Aurora Tower and awarded costs of RM75,000 to be paid to Aurora Tower. Following this, Rakyat Holdings had filed an appeal to the Court of Appeal against the decision on 29 August 2014 ("Appeal").

On 5 November 2014, the High Court has dismissed the Rakyat Holdings' application for Stay of Execution and further directed that the private caveat entered by Rakyat Holdings to be removed and Aurora Tower is not to dispose of the land pending completion of the Rakyat Holdings' appeal to the Court of Appeal. The private caveat has been removed as per land search conducted on 5 January 2015.

On 18 June 2015, the Court of Appeal granted an adjournment to 3 August 2015 and further adjourned the matter for a final date on 17 September 2015 for parties to explore possible settlement.

On 18 September 2015, the Court of Appeal had affirmed the decision of the High Court made on 28 August 2014 which dismissed Rakyat Holdings' Claim against Aurora Tower. The Court of Appeal ordered Aurora Tower to refund the sum of RM50 million to Rakyat Holdings as stipulated in the Sale and Purchase Agreement dated 14 January 2008 with an interest of 5% per annum from the date of the High Court decision. Aurora Tower has duly refunded the said sum together with the requisite interest to Rakyat Holdings on 25 September 2015.

On 16 October 2015, Aurora Tower's solicitors were served with Rakyat Holdings' application to the Federal Court for leave to appeal against the decision of the Court of Appeal. The leave application was called for hearing on 24 February 2016 and the Federal Court dismissed the leave application made by Rakyat Holdings with costs.

- c) Notice of Civil Claim ("NOCC") filed at the Vancouver Registry of the Supreme Court of British Columbia, Canada by Magnum Projects Ltd ("Magnum") against UEM Sunrise (Canada) Development Ltd ("USCDL") and UEM Sunrise (Canada) Alderbridge Ltd ("USCAL").

On 4 November 2016, the Company received notification that USCDL and USCAL (collectively referred as "Defendants"), both of which are indirect wholly-owned subsidiaries of the Company, had been served with the NOCC dated 26 October 2016 filed at the Vancouver Registry of the Supreme Court of British Columbia, Canada by Magnum. USCDL and USCAL have appointed solicitors to respond to the NOCC dated 26 October 2016.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

20. Material litigation (cont'd)

- c) Notice of Civil Claim ("NOCC") filed at the Vancouver Registry of the Supreme Court of British Columbia, Canada by Magnum Projects Ltd ("Magnum") against UEM Sunrise (Canada) Development Ltd ("USCDL") and UEM Sunrise (Canada) Alderbridge Ltd ("USCAL"). (cont'd)

The NOCC alleges breach of an Agency Agreement ("AA") dated 27 March 2015 whereby Magnum had been appointed as the sole and exclusive agent for the purpose of selling market residential, non-market residential and strata office strata lots that were to be developed on certain lands and premises located in Canada at:

- (i) 7960 Alderbridge Way, Richmond, British Columbia,
- (ii) 5333 No. 3 Road, Richmond, British Columbia, and
- (iii) 5411/5491 No. 3 Road, Richmond, British Columbia.

The principal relief sought in the NOCC is a declaration that the Defendants are jointly and severally liable to Magnum for damages on the basis of anticipatory breach, a declaration that the Defendants jointly and severally breached one or more of the terms of the AA and are liable to Magnum for damages as a result, and damages in the amount of at least CAD15,139,284.33 ("Claim").

Based on the initial advice received from the Company's solicitors, the Defendants believe they have a good arguable case to the NOCC and will be vigorously defending it.

The Claim is not expected to have any material financial and operational impact to the Group.

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

	Current quarter 31/12/2016 RM'000	Immediate preceding quarter 30/09/2016 RM'000
Revenue	624,662	421,254
Profit from operations	57,393	68,162
Finance cost	(13,826)	(20,272)
Share of results of associates and joint ventures	39,211	7,688
Profit before income tax	<u>82,778</u>	<u>55,578</u>



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

21. Comparison between the current quarter and the immediate preceding quarter (cont'd)

The Group recorded higher revenue in the current quarter as compared to the immediate preceding quarter mainly due to higher property development contribution arising from construction progress made by MK 22, Teega and Verdi. Verdi and Teega was completed in December 2016 and January 2017 respectively.

Consequently, profit before income tax is also higher in line with the increase in revenue. In addition, associates and joint ventures also contributed higher profits in the current quarter.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Year Ended 31/12/2016 RM'000	Year Ended 31/12/2015 RM'000
Revenue	624,662	607,047	1,841,479	1,749,866
Profit from operations	57,393	88,869	217,860	293,077
Finance cost	(13,826)	(19,985)	(75,992)	(73,868)
Share of results of associates and joint ventures	39,211	55,713	75,780	123,830
Profit before income tax	82,778	124,597	217,648	343,039

The Group recorded higher revenue in the current quarter as compared to the preceding year's corresponding period mainly due to revenue contribution derived from the progress made by Residensi 22, Serene Heights and Teega. In the last quarter of 2015, the Group also recognised revenue from the sale of Imperia office amounting to RM130 million. Profit before income tax however is lower than the corresponding period due to lower other income, higher provision for Liquidated Ascertained Damages (LAD) and lower contribution from associates and joint ventures.

For the current financial year, the Group revenue is higher as compared to last year mainly due to SiLC land sales to Amore Pacific Corporation in Quarter 2, 2016. Profit before income tax on the other hand is lower due to the provision for LAD, lower other income following the recognition of dividend distribution from a subsidiary under creditors' voluntary liquidation and LAD from contractors in the previous year corresponding period and lower share of profit from associates and joint ventures.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

23. Economic profit (“EP”) statement

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Year Ended 31/12/2016 RM'000	Year Ended 31/12/2015 RM'000
<u>Net operating profit after tax (“NOPAT”) computation:</u>				
Earnings before interest and tax (“EBIT”)	25,394	51,654	149,742	175,473
Adjusted tax	(6,095)	(12,914)	(35,938)	(43,868)
NOPAT	19,299	38,740	113,804	131,605
<u>Economic charge computation:</u>				
Average invested capital (Note 1)	8,002,389	7,713,908	8,002,389	7,713,908
Weighted average cost of capital (“WACC”) (%) (Note 2)	7.98%	9.15%	7.98%	9.15%
Economic charge	(159,728)	(176,456)	(638,911)	(705,823)
Economic loss	(140,429)	(137,716)	(525,107)	(574,218)

The EP statement is as prescribed under the GLC Transformation program, and is disclosed on a voluntary basis. EP measures the value created by a business during a single period reflecting how much return a business makes over its cost of capital.

The Group recorded higher economic loss in the current quarter mainly due to lower profit as explained in note 22 above. For the current financial year, the Group recorded lower economic loss as compared to last financial year due to lower WACC.

Note 1:

Average invested capital consists of average operating working capital, average net property, plant and equipment and average net other operating assets.

Note 2:

WACC is calculated as weighted average cost of debt and equity taking into account the market capitalisation as at end of the year.



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

24. Earnings per share ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Year Ended 31/12/2016 RM'000	Year Ended 31/12/2015 RM'000
a) Basic earnings per share				
Profit for the period/year attributable to Owners of the Parent	53,289	72,421	147,302	257,212
Dividend for RCPS (Note 7)	-	-	(12,680)	-
Profit for the period/year attributable to Owners of the Parent (net of dividend for RCPS)	<u>53,289</u>	<u>72,421</u>	<u>134,622</u>	<u>257,212</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>1.17 sen</u>	<u>1.60 sen</u>	<u>2.97 sen</u>	<u>5.67 sen</u>
b) Diluted earnings per share				
Profit for the period/year attributable to Owners of the Parent (net of dividend for RCPS)	<u>53,289</u>	<u>72,421</u>	<u>134,622</u>	<u>257,212</u>
Weighted average number of ordinary shares in issue ('000)	<u>5,159,974</u>	<u>4,970,342</u>	<u>5,159,974</u>	<u>4,646,552</u>
Diluted earnings per share	<u>1.03 sen</u>	<u>1.46 sen</u>	<u>2.61 sen</u>	<u>5.54 sen</u>



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT'D)

25. Prospects for the next financial year

2017 is expected to be another challenging year for the local property sector. Headwinds include weak consumer sentiment, rising cost of living, low income growth, high household debt and a relatively high loan rejection rate by banks. Home price growth has eased to single digits in recent times and may continue to trend slightly downwards before the market recovers, especially in the high-rise segment where there are pockets of oversupply. Still, we foresee that certain property segments will continue to achieve good take-up rates due to demand from genuine homebuyers, particularly landed homes in accessible and good locations.

In the Central region, we expect high population growth areas like Mont' Kiara and Dutamas to continue to enjoy good take-up rates and it will be timely to launch Solaris 3 in 2H2017. The Group will continue to strengthen our portfolio of mid-market offerings with the launch of new phases in Serene Heights Bangi in the Central region and Melia Gerbang Nusajaya in the Southern region. We also aim to embark full force into the business-to-business / industrial segment with the launch of the third and final phase of our Southern Industrial & Logistics Clusters project.

Internationally, GDP in Australia is projected to grow by 2.5% in 2017, a slight decrease from the estimated 2.6% in 2016. Exports and household consumption are expected to support growth, with dwelling investment higher in the near term. Nevertheless, we expect that demand will continue to be strong in the big metropolitan areas due to wealth and immigration, underpinning our plan to launch our third development, a high-end residential project in St. Kilda Street, Melbourne, catering to a niche market.

Overall, the Group is confident that it will be able to deliver satisfactory performance in 2017 on the back of the existing unrecognized revenue of RM4.1 billion from on-going projects that will continue to contribute towards the Group's revenue and earnings.

26. Profit forecast

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

Kuala Lumpur
27 February 2017

By Order of the Board

SHARIFAH SHAFIQA SALIM (LS No. 0008928)
LIEW IRENE (MAICSA 7022609)
Joint Company Secretaries