



UEM SUNRISE BERHAD

Registration No. 200801028815 (830144-W)

Incorporated In Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

THE FIGURES HAVE NOT BEEN AUDITED

I(A). CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Six months to	Six months to
	Note 30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
1. (a) Revenue	111,957	1,000,568	307,811	1,419,824
(b) Cost of sales	(122,839)	(789,878)	(244,926)	(1,084,783)
(c) Gross (loss)/profit	(10,882)	210,690	62,885	335,041
(d) Other income	14,918	13,140	40,509	27,787
(e) Expenses	(69,358)	(106,274)	(128,710)	(164,016)
(f) Finance costs	(28,784)	(31,290)	(54,860)	(57,100)
(g) Foreign exchange gain/(loss)	3,527	1,740	(14,887)	(4,633)
(h) Share of net results of associates	17	(5,538)	173	(12,809)
(i) Share of net results of joint ventures	(9,237)	4,344	(13,605)	4,774
(j) (Loss)/profit before income tax	(99,799)	86,812	(108,495)	129,044
(k) Income tax	14 6,101	(46,591)	(7,327)	(58,499)
(l) (Loss)/profit for the period	(93,698)	40,221	(115,822)	70,545
Attributable to:				
(m) Owners of the Parent	(93,357)	40,361	(115,294)	70,458
(n) Non-controlling Interests	(341)	(140)	(528)	87
(Loss)/profit for the period	(93,698)	40,221	(115,822)	70,545
2. (Loss)/earnings per share based on 1(m) above	21			
(a) Basic (loss)/earnings per share	(2.06)sen	0.89 sen	(2.54)sen	1.55 sen
(b) Diluted (loss)/earnings per share	(1.85)sen	0.78 sen	(2.28)sen	1.37 sen

The condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019 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 30/06/2020 RM'000	Preceding year corresponding quarter 30/06/2019 RM'000	Six months to 30/06/2020 RM'000	Six months to 30/06/2019 RM'000
(Loss)/profit for the period	(93,698)	40,221	(115,822)	70,545
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent period:				
Foreign currency translation differences for foreign operations	101,459	(11,352)	26,494	(7,931)
Transfer to profit or loss on settlement of cash flow hedge	-	(942)	-	(942)
Cash flow hedge	-	4,194	-	2,305
Total other comprehensive income/ (loss) for the period, net of tax	101,459	(8,100)	26,494	(6,568)
Total comprehensive income/(loss) for the period	7,761	32,121	(89,328)	63,977
Attributable to:				
Owners of the Parent	8,079	32,284	(89,039)	63,894
Non-controlling Interests	(318)	(163)	(289)	83
Total comprehensive income/(loss) for the period	7,761	32,121	(89,328)	63,977

The condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019 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	Six	Six
	quarter	corresponding	months	months
Note	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before income tax is arrived at after charging/(crediting):				
Finance cost:				
- interest expense	28,784	30,348	54,860	56,158
- fair value on derivative liability	-	942	-	942
Impairment of interests in a joint venture (a)	-	37,320	-	37,320
Depreciation	14,476	11,631	26,976	22,539
Interest income	(5,259)	(12,835)	(21,961)	(18,272)
(Gain)/loss on foreign exchange:				
- unrealised	(6,952)	(932)	8,493	5,181
- realised	3,425	(808)	6,394	(548)
Dividend income from investment at fair value through profit or loss	(828)	(799)	(828)	(1,573)
Write back of allowance for impairment of receivables	(65)	(344)	(65)	(479)
Allowance for doubtful debts	1,018	51	1,046	51
Inventories written down	39,450	-	39,450	-
Gain on disposal of investment property	-	-	-	(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.

(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. In the previous corresponding period, the Group recorded impairment losses of RM37,320,000 and the remaining carrying value after impairment of interests in MBX was RM13,793,000. The Group has not provided any guarantee for the loan entered by MBX.

There is no further impairment in period under review as full impairment has been made in prior year.



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II. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at current financial year end 30/06/2020 RM'000	Audited As at preceding financial year end 31/12/2019 RM'000
ASSETS		
1. Non-current assets		
Property, plant and equipment	444,098	456,056
Investment properties	847,312	845,611
Right-of-use assets	23,073	28,529
Land held for property development	5,660,890	5,618,794
Interests in associates	496,461	498,572
Interests in joint ventures	1,014,676	1,030,838
Amounts due from joint ventures	200,412	158,464
Goodwill	621,409	621,409
Contract assets	2,376	2,752
Deferred tax assets	299,358	282,926
Long term receivables	154,129	166,052
	9,764,194	9,710,003
2. Current assets		
Property development costs	999,889	877,385
Inventories held for sale	484,041	546,527
Inventories under contract of sale	370,664	408,304
Receivables	489,564	641,741
Contract assets	181,086	175,988
Amounts due from associates	13,943	14,938
Amounts due from joint ventures	45,159	38,265
Short term investments	596,328	329
Cash, bank balances and deposits	788,947	1,057,446
	3,969,621	3,760,923
Total assets	13,733,815	13,470,926



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

	Note	Unaudited As at current financial year end 30/06/2020 RM'000	Audited As at preceding financial year end 31/12/2019 RM'000
EQUITY AND LIABILITIES			
3. Equity attributable to Owners of the Parent			
Share capital		4,960,276	5,110,276
Reserves			
Merger relief reserves		34,330	34,330
Other reserves		39,926	13,671
Retained profits		2,012,595	2,127,889
		7,047,127	7,286,166
4. Non-controlling Interests		468,043	468,332
Total equity		7,515,170	7,754,498
5. Non-current liabilities			
Borrowings	16	2,602,013	2,337,883
Lease liabilities		14,295	19,714
Payables		34,146	170,241
Contract liabilities		252,493	258,646
Deferred income		164,053	164,193
Provisions		68,317	68,404
Deferred tax liabilities		191,402	238,426
		3,326,719	3,257,507
6. Current liabilities			
Provisions		135,843	177,675
Payables		1,035,405	1,083,888
Contract liabilities		116,720	66,240
Borrowings	16	1,585,988	1,048,978
Lease liabilities		11,140	10,380
Tax payable		6,830	71,760
		2,891,926	2,458,921
Total liabilities		6,218,645	5,716,428
Total equity and liabilities		13,733,815	13,470,926
7. Net assets per share attributable to Owners of the Parent		RM 1.55	RM 1.61

The condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this quarterly announcement.



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III. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 30/06/2020 RM'000	Unaudited Six months to 30/06/2019 RM'000
Operating Activities		
Cash receipts from customers	542,836	1,568,032
Cash receipts from related parties	37	1,178
Cash payments to contractors	(331,946)	(400,642)
Cash payments for land and development related costs	(53,874)	(56,521)
Cash payments to related parties	(672)	(1,627)
Cash payments to employees and for expenses	(195,974)	(280,241)
Cash (used in)/generated from operations	(39,593)	830,179
Net income tax paid	(142,696)	(49,623)
Interest received	4,672	8,092
Net cash (used in)/generated from operating activities	(177,617)	788,648
Investing Activities		
Dividend received from a joint venture	500	15,000
Repayment from a joint venture	4,500	-
Purchase of property, plant and equipment	(19,262)	(19,463)
Advances to joint ventures	(32,784)	(3,468)
Business combination	-	(205,729)
Deposit paid for land acquisition	(18,808)	(4,500)
Net investment in short term investments	(596,000)	49,867
Net cash used in investing activities	(661,854)	(168,293)



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

	Note	Unaudited Six months to 30/06/2020 RM'000	Unaudited Six months to 30/06/2019 RM'000
Financing Activities			
Drawdown of borrowings		315,505	556,384
Drawdown of Islamic Medium Term Notes		855,000	300,000
Redemption of Redeemable Convertible Preference Shares ("RCPS")		(150,000)	-
Repayment of borrowings		(168,870)	(1,270,821)
Repayment of Islamic Medium Term Notes		(150,000)	(300,000)
Repayment of loan from immediate holding company		(55,555)	-
Repayment of lease liabilities		(1,972)	(2,394)
Interest paid		(82,418)	(86,225)
Net cash generated from/(used in) financing activities		561,690	(803,056)
Effects of exchange rate changes		4,101	(1,109)
Net decrease in cash and cash equivalents		(273,680)	(183,810)
Cash and cash equivalents as at beginning of financial period		1,056,733	1,076,943
Cash and cash equivalents as at end of financial period	(a)	783,053	893,133
		Unaudited As at 30/06/2020 RM'000	Unaudited As at 30/06/2019 RM'000

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

Cash, bank balances and deposits			
Unrestricted		630,854	677,395
Restricted		158,093	215,919
		788,947	893,314
Bank overdrafts (included in short term borrowings)	16	(5,894)	(181)
Cash and cash equivalents		783,053	893,133

The condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to this quarterly announcement.



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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

Note	← Attributable to Owners of the Parent →						Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	← Non-distributable →			Distributable			
		Merger Relief Reserve RM'000	Cash Flow Hedge Reserve RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000		
Six months to 30 June 2020								
(Unaudited)								
At 1 January 2020	5,110,276	34,330	-	13,671	2,127,889	7,286,166	468,332	7,754,498
Total comprehensive loss for the period	-	-	-	26,255	(115,294)	(89,039)	(289)	(89,328)
Redemption of RCPS	(150,000)	-	-	-	-	(150,000)	-	(150,000)
At 30 June 2020	<u>4,960,276</u>	<u>34,330</u>	<u>-</u>	<u>39,926</u>	<u>2,012,595</u>	<u>7,047,127</u>	<u>468,043</u>	<u>7,515,170</u>
Six months to 30 June 2019								
(Unaudited)								
At 1 January 2019	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 period	-	-	1,363	(7,927)	70,458	63,894	83	63,977
Business combination	-	-	-	-	-	-	105,673	105,673
At 30 June 2019	<u>5,110,276</u>	<u>34,330</u>	<u>16,409</u>	<u>41,243</u>	<u>1,938,525</u>	<u>7,140,783</u>	<u>469,478</u>	<u>7,610,261</u>

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 2019 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 Standards 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 2019, 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 2019 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 2020:

Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform

Amendments to MFRS 101 and MFRS 108: Definition of Material

The adoption of the above new standards and other pronouncements did not have any significant effects on the interim financial statements upon their initial applications.

Standards issued but not yet effective

The Group has not adopted the following standards and interpretation that have been issued but are not yet effective:

	Effective for the financial periods beginning on or after
Amendment to MFRS 16 Leases: Covid-19-Related Rent Concessions	1 June 2020
Interpretation to MFRS 123: Borrowing cost relating to over time transfer of constructed good	1 July 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2022
Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
Onerous Contracts: Costs of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

Interpretation to MFRS 123: Borrowing Costs relating to over time transfer of constructed good (Agenda Decision 4 (“AD4”))

In March 2019, the International Financial Reporting Standards Interpretations 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.

In the current quarter, the Group has assessed the impact to the profits before income tax and the Group has not reflected any adjustments arising from AD4 impact assessment, as it is deemed immaterial. The Group will continue to assess its impact in the current financial year.

3. Audit report in respect of the 2019 financial statements

The audit report on the Group’s financial statements for the financial year ended 31 December 2019 is not qualified.

4. Seasonal or cyclical factors

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

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 period except for the estimates related to construction cost resulting in project cost savings of 6.0% (2019: 3.8%) over cost of sales.

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 period ended 30 June 2020 except as below:

Date	Transaction	Amount (RM'Million)	Tenure	Rate (per annum)
10 April 2020	Issuance	200	6 months	3.50%
10 April 2020	Repayment	(150)	5 years	4.58%
30 April 2020	Issuance	130	1 year	3.70%
18 May 2020	Issuance	105	1 year	3.70%
10 June 2020	Issuance	270	3 years	4.00%
12 June 2020	Issuance	150	3 years	4.00%

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

On 24 April 2020, the Company has redeemed a total of 123,340,418 redeemable convertible preference shares ("RCPS") out of the share capital account for a redemption sum of RM150.0 million at approximately RM1.22 for each RCPS following a redemption notice dated 17 April 2020 issued to UEM Group Berhad ("UEMG"), the immediate holding company of the Company.

7. Dividend

The Directors do not recommend the payment of any dividend for the current financial period ended 30 June 2020 (2019: Nil).



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V. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The COVID-19 outbreak was first identified in Wuhan, China in December 2019 and it was declared a pandemic by the World Health Organisation in March 2020. A nationwide Movement Control Order (“MCO”) was subsequently enforced from 18 March 2020 to 9 June 2020 to contain the spread of the virus. During this period, our sales galleries, retail outlets and offices were closed and there were no sales and construction activities.

The Recovery Movement Control Order (“RMCO”), introduced on 10 June 2020, is effective till 31 August 2020. Restrictions on inter-state travelling and economic activities were relaxed. We managed to obtain approvals from the Ministry of International Trade and Industry to reconvene construction for certain projects. The pandemic has significantly curtailed all business activities and as a result, impacted our financial performance for the period under review.

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 30 June 2020 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 June 2020 that have not been reflected in the condensed interim financial statements.

10. Operating segments

Operating segments information for the financial period ended 30 June 2020 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	185,112	70,871	32,025	19,803	-	307,811
Inter-segment revenue	-	-	442	50,246	(50,688)	-
Total revenue	185,112	70,871	32,467	70,049	(50,688)	307,811
Results						
Segment results	(30,902) [^]	24,320 [*]	(5,163)	(7,356)	(21,102)	(40,203)
Finance costs	(34,412)	(6,736)	(17,993)	(16,821)	21,102	(54,860)
Share of results of associates	1,331	(725)	-	(433)	-	173
Share of results of joint ventures	(9,413)	-	(4,192)	-	-	(13,605)
(Loss)/profit before income tax	(73,396)	16,859	(27,348)	(24,610)	-	(108,495)
Income tax	7,943	(14,534)	19	(755)	-	(7,327)
(Loss)/profit for the period	(65,453)	2,325	(27,329)	(25,365)	-	(115,822)
Attributable to:						
Owners of the Parent	(64,818)	2,325	(27,329)	(25,472)	-	(115,294)
Non-controlling Interests	(635)	-	-	107	-	(528)
(Loss)/profit for the period	(65,453)	2,325	(27,329)	(25,365)	-	(115,822)
Assets						
Segment assets	10,032,092	881,025	1,032,828	912,514	(728,830)	12,129,629
Interests in:						
- associates	488,069	7,202	-	1,190	-	496,461
- joint ventures	906,685	-	107,991	-	-	1,014,676
Tax recoverable	91,051	-	321	1,677	-	93,049
Total assets	11,517,897	888,227	1,141,140	915,381	(728,830)	13,733,815
Liabilities						
Segment liabilities	5,267,913	108,987	682,879	880,866	(728,830)	6,211,815
Tax payable	6,391	-	-	439	-	6,830
Total liabilities	5,274,304	108,987	682,879	881,305	(728,830)	6,218,645

[^]Inclusive of costs of inventories written down of RM39,450,000.

^{*}Inclusive of foreign exchange losses of RM15,831,000.



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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 2019 except as disclosed below:

- (i) On 2 April 2020, UEM Sunrise (Collingwood) Pty Ltd and UEM Sunrise (Collingwood Development) Pty Ltd were incorporated and registered in Victoria, Australia as wholly-owned subsidiaries of UEM Sunrise (Land) Pty Ltd and UEM Sunrise (Developments) Pty Ltd respectively, which in turn are indirect wholly-owned subsidiaries of the Company, each with paid-up share capital of AUD4.00 divided into 2 Ordinary Shares.
- (ii) On 16 April 2020, UEM Sunrise (Collingwood) Unit Trust was established with UEM Sunrise (Collingwood) Pty Ltd as the trustee of the unit holder, UEM Sunrise (Land) Pty Ltd, both indirect wholly-owned subsidiaries of the Company, with paid-up share capital of AUD100.00 divided into 10 Ordinary Units and governed by the law in force in the State of Victoria, Australia.

12. Contingent liabilities

There are no changes in the contingent liabilities since the preceding financial year ended 31 December 2019 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.



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12. Contingent liabilities (cont'd)

(a) Income tax assessment (cont'd)

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.

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	15.7
Approved but not contracted for	406.8
Total	<u>422.5</u>

14. Income tax

	Current year quarter 30/06/2020	Preceding year corresponding quarter 30/06/2019	Six months to 30/06/2020	Six months to 30/06/2019
	RM'000	RM'000	RM'000	RM'000
Malaysian and foreign income tax				
- current tax	(7,829)	(55,251)	(13,213)	(78,357)
- over provision in prior periods	-	1,502	379	408
Deferred tax				
- relating to origination and reversal of temporary differences	16,011	11,428	9,098	22,875
- underprovision in prior periods	(2,081)	(4,270)	(3,591)	(3,425)
Tax credit/(expense) for the periods	<u>6,101</u>	<u>(46,591)</u>	<u>(7,327)</u>	<u>(58,499)</u>

The effective tax rates (excluding share of results of associates and joint ventures) for the current quarter and cumulative period are higher than the statutory tax rate due to non-deductible expenses and unrecognised tax losses for certain loss-making entities. The higher tax rate in the cumulative period is further exasperated by non-deductible foreign exchange losses.



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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 Pulai, 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) 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). UEM Land also agreed to transfer Plot A to NTPSB and grant options to NTPSB, Company B and Company C to acquire Plot B, Phase 2 Land and Phase 3 Land within nine (9) years from the MA date ("Option Period").

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 ("NRSB"), the proprietor of Phase 2 Land also agreed to divide Phase 2 Land 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 August 2020, NTPSB has yet to exercise its option to acquire any of the plot in Phase 2 Land.



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

- d) 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 ("JVA") where the parties agreed to work together to jointly develop thirty-eight (38) parcels of freehold lands within Mukim Pulau; two parcels owned by UEM Land's indirect wholly-owned subsidiaries, Nusajaya Seaview Sdn Bhd ("NSSB") and NRSB measuring 136.3 acres while thirty-six (36) parcels measuring 65.5 acres are owned by LFC.

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 conditional period has been extended for a number of times, the latest to 15 February 2021. As at 17 August 2020, the fulfillment of the conditions precedent is still pending.

- e) 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 were both dated 13 April 2018.

The Effective Date of the SSA was 2 April 2019.

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, which was duly paid, while the purchase consideration revised to RM447.0 million. The revised payment terms for the purchase consideration under the SA to the SPA are as follows:

- (i) First payment of RM75.4 million paid to DBKL on SPA date;
- (ii) Second payment of RM161.1 million paid on 15 April 2019;
- (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.

On 2 July 2020, DBKL agreed to the extension for payment of item (iii) up to 31 December 2020.

As at 17 August 2020, the balance payments of items (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)

- f) The Contract of Sale between UEM Sunrise (La Trobe Street) Pty Ltd ("UEMS La Trobe") 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.

On 30 April 2020, UEMS La Trobe entered into a Deed of Variation with Scape to vary the Contract of Sale. The balance Purchase Price is now paid in the following manner:

- (i) 10% or AUD12.5 million to be paid on 30 May 2020; and
- (ii) 80% or AUD100.0 million to be paid on 30 October 2020.

The first deposit and second deposit, as well as the additional amount of AUD12.5 million received on 1 June 2020, totals up to AUD25.0 million are non-refundable.

The contract will be completed once full payment is received in October 2020.

- g) The Contract of Sale between UEM Sunrise (Collingwood) Pty Ltd ("UEMS Collingwood") and Jowett Properties Pty Ltd ("Vendor") for the acquisition of 5,390 square meters (1.33 acres) freehold site at 21-53 Hoddle Street, Collingwood in Melbourne, Australia for a purchase consideration of AUD43.0 million ("Purchase Price") on 18 June 2020.

A deposit of AUD6.45 million representing 15% of the Purchase Price was paid on the same date, while the balance Purchase Price of AUD36.55 million is expected to be paid upon settlement tentatively on 31 March 2021, subject to both parties securing relevant special conditions provisions in the contract including the approval of the Foreign Investment Review Board for the purchase of the site by UEMS Collingwood.

The contract will be completed upon full settlement.



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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 30 June 2020</u>						
<i>Domestic</i>						
- Islamic Medium Term Notes	-	2,470,000	2,470,000	-	835,000	835,000
- Term loan and Commodity Murabahah Finance	132,013	-	132,013	46,174	-	46,174
- Revolving credits	-	-	-	304,920	294,000	598,920
- Structured commodity	-	-	-	-	100,000	100,000
- Bank overdrafts	-	-	-	3,294	2,600	5,894
TOTAL	132,013	2,470,000	2,602,013	354,388	1,231,600	1,585,988

As at 30 June 2019

<i>Domestic</i>						
- Loan from immediate holding company	-	-	-	75,541	-	75,541
- Islamic Medium Term Notes	-	2,450,000	2,450,000	-	150,000	150,000
- Term loan and Commodity Murabahah Finance	95,577	-	95,577	90,000	-	90,000
- Commodity Murabahah Finance (denominated in Australian Dollar)	-	-	-	-	593,644	593,644
- Revolving credits	-	-	-	7,000	498,000	505,000
- Bank overdrafts	-	-	-	-	181	181
TOTAL	95,577	2,450,000	2,545,577	172,541	1,241,825	1,414,366

Since 30 June 2019, the Group repaid AUD205 million of Commodity Murabahah Finance for property development projects in Australia and RM787 million for the domestic segment. The Group also drew borrowings of RM1.6 billion comprising RM855 million of Islamic Medium Term Notes and Islamic Commercial Papers, RM350 million of Revolving Credits and RM 400 million of term loans and structured commodity.



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17. Fair value hierarchy

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

18. Material litigation

Since the preceding financial year ended 31 December 2019, 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.

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.



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18. Material litigation (cont'd)

- (c) On 18 April 2019, UEM Land 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 RM29,250,000 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 UEM Land 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 RM29,250,000 be the total and final amount of the final account or any other amount assessed by the Arbitral Tribunal.

UEM Land’s position is that IECSB’s claims are without merits and UEM Land 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 was agreed by both parties that IECSB to file its Statement of Claim within 45 days from 21 October 2019, and UEM Land 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 UEM Land 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.

Based on the Statement of Claim dated 27 December 2019, IECSB is seeking inter-alia, RM20,395,000 for loss and expense, RM29,250,000 for the amount due and owing to IECSB pursuant to the Statement of Final Account or alternatively any other amount assessed by the Arbitral Tribunal, interest on all sums directed to be paid from such date as the Tribunal deems fit and costs.

In the Statement of Defence and Counterclaim dated 2 March 2020, UEM Land denied and disputed liability on IECSB’s claims and sought counterclaims amounting to total sum of RM31,757,000 for amongst others, Liquidated Ascertained Damages for delay in the completion of the works and defects rectification cost and back-charges.

UEM Land filed an application dated 15 June 2020 to amend its Defence and Counterclaim to include further counterclaim for back-charges and the application was allowed by the Tribunal. The Reply to Defence and Defence to Counterclaim was filed by IECSB on 8th July 2020. UEM Land filed its Reply to the Defence to Counterclaim on 17 August 2020. The hearing dates for this matter have yet to be fixed.

The Group believes, based on legal advice, that the NOA and potential arbitration proceedings are not expected to have material financial and operational impact on the Group for the financial year ending 31 December 2020.



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

	Current quarter	Immediate	Variance RM'000/(%)
	30/06/2020	preceding quarter 31/03/2020	
	RM'000	RM'000	
Revenue	111,957	195,854	(83,897) (-43%)
Operating (loss)/profit	(61,795)	21,592	(83,387) (>-100%)
Share of net results of JV and associates	(9,220)	(4,212)	(5,008) (>-100%)
(Loss)/profit before interest and tax	(71,015)	17,380	(88,395) (>-100%)
Finance costs	(28,784)	(26,076)	(2,708) (-10%)
Loss before income tax	(99,799)	(8,696)	(91,103) (>-100%)
Income tax	6,101	(13,428)	19,529 (>100%)
Loss for the period	(93,698)	(22,124)	(71,574) (>-100%)
Non-controlling interests	341	187	154 (82%)
Loss attributable to Owners of the Parent	(93,357)	(21,937)	(71,420) (>-100%)

The pandemic had its maximum impact on business activities in the current quarter. The Group recognised lower revenue as there were minimal sales and construction activities as well as rental waivers to our tenants. The Group recorded higher loss after tax, in line with lower revenue, costs of inventories written down, absence of development cost savings and unfavourable share of results from joint ventures and associates. The higher loss was partially offset by foreign exchange gain of RM4 million in the current quarter as compared to RM18 million foreign exchange losses in the immediate preceding quarter.

20. Detailed analysis of the performance for the current quarter and period

	Preceding year		Variance RM'000/(%)	Six	Six	Variance RM'000/(%)
	Current year quarter 30/06/2020 RM'000	corresponding quarter 30/06/2019 RM'000		months to 30/06/2020 RM'000	months to 30/06/2019 RM'000	
Revenue	111,957	1,000,568	(888,611) (-89%)	307,811	1,419,824	(1,112,013) (-78%)
Operating (loss)/profit	(61,795)	119,296	(181,091) (>-100%)	(40,203)	194,179	(234,382) (>-100%)
Share of net results of JV and associates	(9,220)	(1,194)	(8,026) (>-100%)	(13,432)	(8,035)	(5,397) (-67%)
(Loss)/profit before interest and tax	(71,015)	118,102	(189,117) (>-100%)	(53,635)	186,144	(239,779) (>-100%)
Finance costs	(28,784)	(31,290)	2,506 (8%)	(54,860)	(57,100)	2,240 (4%)
(Loss)/profit before income tax	(99,799)	86,812	(186,611) (>-100%)	(108,495)	129,044	(237,539) (>-100%)
Income tax	6,101	(46,591)	52,692 (>100%)	(7,327)	(58,499)	51,172 (87%)
(Loss)/profit for the period	(93,698)	40,221	(133,919) (>-100%)	(115,822)	70,545	(186,367) (>-100%)
Non-controlling interests	341	140	201 (>100%)	528	(87)	615 (>100%)
(Loss)/profit attributable to Owners of the Parent	(93,357)	40,361	(133,718) (>-100%)	(115,294)	70,458	(185,752) (>-100%)



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20. Detailed analysis of the performance for the current quarter and period (cont'd)

For the current quarter and cumulative period, the Group recorded 89% and 78% reduction in revenue respectively, largely due to lower contribution from international projects, for which partial settlement of Aurora Melbourne Central and Conservatory contributed RM79 million in the current cumulative period as compared to RM980 million in prior year's corresponding cumulative period. The Group also recorded lower revenue in domestic segment due to lower sales and slower progress completion during the MCO period, and the completion of Sefina, Serimbun and Almas in the prior year, cushioned by progression of Solaris Parq, Aspira ParkHomes and 68^o Avenue.

The Group recorded loss after tax in the current quarter and cumulative period due to significantly lower revenue mentioned above, costs of inventories written down and unfavourable share of results of joint ventures and associates. The loss after tax in the cumulative period also included higher foreign exchange losses.

21. (Loss)/earnings per share

	Current year quarter 30/06/2020 RM'000	Preceding year corresponding quarter 30/06/2019 RM'000	Six months to 30/06/2020 RM'000	Six months to 30/06/2019 RM'000
a) Basic (loss)/earnings per share				
(Loss)/profit for the period attributable to Owners of the Parent	(93,357)	40,361	(115,294)	70,458
Weighted average number of ordinary shares in issue ('000)	4,537,436	4,537,436	4,537,436	4,537,436
Basic (loss)/earnings per share	<u>(2.06) sen</u>	<u>0.89 sen</u>	<u>(2.54) sen</u>	<u>1.55 sen</u>
b) Diluted (loss)/earnings per share				
(Loss)/profit for the period attributable to Owners of the Parent	(93,357)	40,361	(115,294)	70,458
Weighted average number of ordinary shares in issue ('000)	4,537,436	4,537,436	4,537,436	4,537,436
Effect of dilution from RCPS ('000)	521,350	617,077	521,350	617,077
Weighted average number of ordinary shares in issue ('000)	<u>5,058,786</u>	<u>5,154,513</u>	<u>5,058,786</u>	<u>5,154,513</u>
Diluted (loss)/earnings per share	<u>(1.85) sen</u>	<u>0.78 sen</u>	<u>(2.28) sen</u>	<u>1.37 sen</u>



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22. Prospects for the current financial year

The Malaysian economy registered a contraction of 17.1% in 2Q 2020; the lowest since 4Q 1998 (-11.2%) arising from weak external demand conditions and strict containment measures amid the imposition of the Movement Control Order (“MCO”) due to COVID-19, followed by the conditional and recovery MCO during 2Q 2020. Bank Negara Malaysia revised its growth forecast for 2020 to between -3.5% and -5.5% while IMF is projecting a global growth of -4.9%. Unemployment rate was 4.9% as at the end of June although the Government expects the rate to reach 5.5% in 2020. Recovery is challenging as the pandemic has weakened growth prospects with many sectors affected, including property.

We remain cautious in planning this year’s launches; focusing on products that meet market demands whilst continuing to pare down inventories. To date, we have launched a GDV of RM204 million comprising a new phase in Serene Heights Bangi, Frischia, in mid-June and Iskandar Puteri products namely Senadi Hills (phase 1A), commercial Senadi Square and Aspira ParkHomes (phase 3B) in July. For the remaining year, we plan to launch high-rise Residensi Allevia in Mont’Kiara, Kuala Lumpur with a GDV of RM542 million and another new phase of Serene Heights Bangi valued at RM43 million, both in Central. In Southern region, we plan to launch three more new phases in Senadi Hills comprising double storey terrace homes and 130 units of high-rise affordable homes totalling a GDV of RM171 million.

In conjunction with the 2020 Home Ownership Campaign (“HOC”), we launched “The Happy Chase” campaign for 22 of our projects in both the Central and Southern regions on 25 July. Buyers are able to leverage on the 2020 HOC’s incentives and at the same time enjoy our offerings under The Happy Chase campaign for selected developments. Total secured sales plus commitment received as at 16 August is approximately RM500 million with Residensi AVA in Kiara Bay, Kuala Lumpur having the highest bookings followed by Serene Heights Bangi and Senadi Hills.

In Australia, the Group secured a settlement rate of 98% for Aurora Melbourne Central at a total settlement value of AUD616 million while Conservatory secured a settlement rate of 91% at a total settlement value of AUD287 million. The remaining units pending settlement are valued at AUD49 million. We are currently focusing to settle these units and aim to achieve 100% settlement rate in the next six to nine months. The contract of sale with Scape Australia Management Pty Ltd for the en-bloc disposal of service apartment plus retail and car park components in Aurora Melbourne Central of AUD125 million will be completed and settled in October 2020.

We increased our foothold in Australia by acquiring a 1.33-acre site at 21-53 Hoddle Street, Collingwood, Melbourne from Jowett Properties Pty Ltd for a purchase price of AUD43 million on 18 June 2020. Completion is expected on 31 March 2021 upon the full settlement of the purchase price. We plan to undertake a project valued at an estimated GDV of AUD250 million.

The Group remains financially sound given the low net and gross gearings of 0.40x and 0.59x, respectively and cash balance of RM1.38 billion as at the end of June 2020. Unbilled sales as at the end of the second quarter is RM1.7 billion which will be recognised over the next 18 to 24 months depending on progress completion as most ongoing projects are at their early stages of construction.

The current low interest rate regime coupled with the 2020 HOC’s incentives and property gains tax exemption under PENJANA are expected to provide stimulus to the property market. Whilst we look forward to leverage on the said incentives, we remain cautious on the outlook and anticipate a sale and GDV targets of RM1.0 billion (including land sales) and RM1.0 billion, respectively for 2020.

Source:

1 Bank Negara Malaysia Quarterly Bulletin, 2Q 2020, 14 August 2020.

2 International Monetary Fund (“IMF”), World Economic Outlook: A Crisis Like No Other, An Uncertain Recovery, June 2020.

3 Department of Statistics Malaysia, 7 August 2020.

4 GDV is Gross Development Value, mostly estimated numbers subject to actual launch.

5 PENJANA is Short Term National Economic Recovery Plan launched by the Prime Minister on 5 June 2020.



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23. Profit forecast

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

Kuala Lumpur
24 August 2020

By Order of the Board

LIEW IRENE (SSM PC No. 201908001893) (MAICSA 7022609)
WONG LEE LOO (SSM PC No. 201908001993) (MAICSA 7001219)
Joint Company Secretaries